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MAR 11 1930

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Report No. 19 (Voluntary)

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ECONOMIC CRISIS IN PERSIA.

From American Vice Consul in Charge

Henry S. Villard Henry S. Villard

Teheran, Persia.

Date of Completion: February 14, 1930

Date of Mailing: February 15, 1930

W.H. S. 1930
The recent alarming fall in the exchange value of the silver kran has brought Persia to the verge of an economic crisis which has already disrupted the import market, cutting in half the demand for American motor vehicles, paralyzing trade circles, and inflicting severe losses on dealers. Stocks are not being replenished, and distress among merchants is general - many of whom in the provinces have transferred their capital to European banks, while a diminished export trade has further added to the precarious situation. The

net

MAR 17 1930

net result of these conditions will not be apparent until previous commitments have been taken care of, but unless stabilization is effected the next few months will witness wholesale cancellations of orders and business at a standstill throughout the country.

Dizzy plunge of the Kran.

From an equivalent of Krans 10.11 to the dollar, the currency depreciated in 1929 to Krans 12.73, but since January 1, 1930, the rate of decline has been greatly accelerated. As will be seen from the following table, in the course of four weeks the kran plunged to a new low of 14.39, when quotations were nominal and the banks refused to sell pounds or dollars. After January 28 a slight recovery took place, and during the first two weeks of February the rate remained stationary at Krans 13.79 $\frac{1}{2}$. But in the United States Treasury list of "Values of Foreign Coins" for January 1, 1930, the value of the kran was given as 6.53 cents (or Krans 15.31 to the dollar) with the notation that silver was circulating in Persia above its metallic value; and as pointed out in a report from this office dated October 29, 1929, it would appear that the kran should tend to decline to whatever may become the market value of silver.

| <u>Date</u> | <u>Selling rate for the dollar</u> |
|-------------|--|
| January 2 | 12.41 |
| " 5 | 12.72 |
| " 7 | 12.83 |
| " 8 | 12.94 |
| " 10 | 12.95 |
| " 20 | 13.16 $\frac{1}{2}$ |
| " 23 | 13.37 |
| " 27 | 13.57 |
| " 28 | 14.39 (nominal) |
| " 29 | 13.98 |
| " 30 | 13.79 $\frac{1}{2}$ |

Leading topic of the day.

The collapse of the local currency monopolizes public attention

to

to the exclusion of all other matters, and the press devotes columns daily to a discussion of possible remedies. Prominent among the solutions offered are placing the country on a gold basis, prohibiting the free importation of silver, banning or at least drastically curtailing foreign importations by higher tariffs, and putting into circulation the Anglo-Persian Oil Company royalties now on deposit in European banks.

A bill placing an embargo on the importation of silver was suddenly withdrawn from the Medjless on February 8 for further consideration and revision, and interest at present centers on a series of conferences held by the Council of Ministers and attended by the Prime Minister, Minister of the Court, other members of the Cabinet, Dr. Otto Schniewind, Director General of Finances, Dr. Otto Lindenblatt, Director of the National Bank of Persia, M. Dekerckheer, Treasurer General and Administrator General of Customs, and H.E. Hassan Vossough (Vossough-ed-Dowleh) a former Prime Minister. It is reported that one of the plans under study by this group is that of collecting the customs duties on a gold basis.

Causes and remedies.

The Teheran Chamber of Commerce, responding to a request from the Ministry of Agriculture, Commerce and Public Works, has announced its belief that the crisis is due primarily to the lower world price of silver, the extensive purchase of foreign drafts, and the sequestration abroad of the Anglo-Persian Oil Company royalties.

It proposes in order to stabilize the currency that the exclusive right of importing and coining silver be granted to the Government, that the gold standard be adopted, that the sale of drafts for foreign purchases be restricted, that radical steps be taken to complete the railway project at an early date, and that everything possible be done

to balance imports and exports.

Mr. E. Wilkinson, chief manager of the Imperial Bank of Persia, has addressed a letter to the Editor of the Iran in which he lays the blame on the retention in Europe of the oil royalties, the large purchases abroad of railway materials, and the stock market crash in the United States with its consequent set-back to Persian exports of carpets, furs, skins, etc. Since the vernacular practice invariably is to ascribe rate fluctuations to manipulations by the Imperial Bank of Persia, Mr. Wilkinson felt it necessary to conclude his letter by stating emphatically that "in spite of the general belief to the contrary, the Imperial Bank.....is in no way responsible when the rate rises or falls or fluctuates, in the same way as it would not be responsible if a rise or a fall or fluctuations occurred in the price of sugar, tea or any other commodity."

Other suggestions.

Other suggested causes are budgetary deficits, expenditures for Persian students abroad, increased purchases of military material, and competition between the Imperial Bank and the National Bank of Persia. No doubt all of these have had some bearing on the situation, but it would seem that the most frequently advocated remedy, that of releasing the oil royalties in Persia, could have but a temporary effect, nor is it likely that further expenditures for railway supplies will be made for some time to come. Any analysis of present conditions should primarily take into account that according to preliminary figures Persia's excess of imports over exports for the fiscal year 1928/29 amounted to 34,861,000 tomans and that to date no measures whatsoever have been adopted looking toward increased production and exportation of Persian commodities. The serious fall in the world

price

price of silver, with the example of its diminished value in China and the projected adoption of the gold standard by India should likewise be borne in mind as a principal source of the present instability. In the opinion of this Consulate nothing short of a balance in imports and exports and the ultimate placing of the currency on a gold basis can permanently improve the situation.

Many factors attend abandonment of the silver standard in favor of a gold, not the least important of which would be the necessity for a foreign loan and the as-yet unrevealed attitude of the Imperial Bank of Persia which at present draws a substantial part of its income from notes secured by silver. It has furthermore been suggested that the people would be inclined to hoard gold coins instead of keeping them in circulation, thus defeating the purpose of the new currency.

Wall Street crash reacts on Persia.

The effects of the stock market crash are now apparent in Persia and undoubtedly contribute to the unfortunate economic situation of the country. Invoices certified at this Consulate since January 1, 1930, have dropped by more than one-third, and prominent exporters declare that the demand for Persian products in the United States has been lessened by 50 per cent. Since carpets are Persia's chief export and since the United States provides by far the leading market for this industry, stagnation has set in and very little activity is registered in the trade.

Stamps
Confidential

His Imperial Majesty was announced in the Iran of February 11 to have given "the necessary instructions to put an end to the unfavorable economic situation as well as to promptly stabilize the Kran", but it will take more than an order from the Shah to bring about reform.

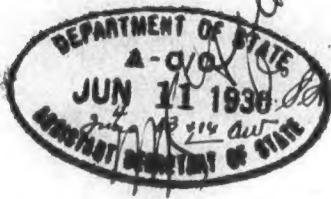
Mr.

Mr. E. Walder, the Treasurer General who was abruptly dismissed last November, expressed his sentiments before leaving the country in the form of a parable in which he compared Persia to the sick man who called doctors into consultation for an ailment of the lungs. Upon being told by his physicians that one lung was bad and the other about to be affected, the invalid rose in his bed and proclaimed indignantly "not only have I two good lungs, but three!"

The confusion, the red tape and the antiquated methods said to prevail in the Ministry of Finance have already caused guarded expressions of regret among its members at the absence of the Millspaugh Mission at this critical juncture. One contributor to the Iran has openly advocated Dr. Millspaugh's re-employment with plenary powers as the sole remedy for the present crisis.]

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HSV/MHA

Sources: Teheran press and personal interviews
and observations.



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Report No. 44 (Voluntary)

89-150-24
1930RECENT DEVELOPMENTS IN PERSIA'S ECONOMIC CRISIS891.50
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From American Vice Consul in ChargeHenry S. Villard
Henry S. Villard

Teheran, Persia

Date of Completion: May 9, 1930.

JUN 18 1930
FILED

Date of Mailing: May 10, 1930.

FOR GUARDED
DISSEMINATION ONLY.

Far from showing improvement under recent governmental measures, the economic situation in Persia has become more distressing, if anything, and it is the opinion in many circles that the real crisis has not yet been reached. Import trade is completely paralyzed by the regulations affecting the purchase of foreign exchange, while exports instead of registering an increase are either at a standstill or actually declining. The market for automobiles, trucks, spare parts and tires, in which the United States is most interested, is now practically closed and betterment cannot at present

present be hoped for.

The difficulties confronting importers not only in securing permits to buy exchange but in obtaining from banks the exchange itself have created problems seemingly incapable of solution at the moment. The Consulate has been busy endeavoring to assist American firms which find that their shipments are not being taken up, but without the necessary permits or the opportunity to secure exchange merchants at this end are powerless to make payment on their orders.

Difficulties insurmountable.

One remedy that suggests itself in this connection is for importers in Persia to open an account in krans to the credit of the American exporter, the money to be converted into dollars and remitted to the exporter whenever exchange may become available. This of course would entail the risk of fluctuations in the rate of exchange, and an additional deposit of 25 or 30 per cent would seem advisable to cover such a contingency. Owing to the uncertainties of the situation, the best course would seem to be for exporters to cease sending goods to Persia until the present law is either abolished or rendered more flexible.

Any publicity that can be given to present conditions would not only serve to prevent additional commercial entanglements but would curb for the time being the fruitless efforts of American concerns to enter this market by means of trade letters. In the majority of cases, the market for American goods, except motor vehicles and accessories is extremely limited in Persia, and under the circumstances now obtaining, is virtually non-existent. The substantial increase lately in the number of such trade letters received by this Consulate would indicate that exporters in the United States are not yet fami-

iliar with the limitations of the Persian market, and knowledge of the severe restrictions now imposed would eliminate much waste of time on both sides.

Ministry of Economics organized.

Completing the organization of the new Ministry of National Economics in Persia, the personnel of this body has now been announced. Mohammad Ali Foroughi (Zoka-ol-Molk) as previously reported occupies the post of Minister, while Mostafa Gholi Bayat that of Under-Secretary. The former is well-known as a former Prime Minister and Ambassador to Turkey and in his younger days as a teacher of history and philosophy, the latter being the former Under-Secretary of Public Works.

Other members, together with their posts, are as follows:

| | |
|-------------------------|--|
| Dr. Hossein Marzeban | Chef de Cabinet |
| Nezam-ed-Din Vafa | Chief of Archives |
| Mehdi Gholi Abbasi | Acting Director of Accounts |
| Seyed Nasrollah Sharifi | Director of Employment |
| Dr. Abbas Alamir | Director General of Economic Affairs |
| Mirza Ebrahim Khan | Director of Mines |
| Nasser Gholi Agha Khani | Director of Patents and Trade Marks |
| Moussa Sheibani | Director of Foreign Trade |
| Sadegh Vassighi | Director of Domestic Trade |
| Mohammad Ghassem Adib | Director of Agricultural Establishments in Karaj and the Fisheries |
| Mir Mansour Khan | Director of Forests, Tea Plantation and Sericulture |
| Mahmoud Fateh | Director of Animal Anti-Plague Service |
| Abol Hassan Diba | Director of Statistics |
| Mohammad Saeedi | Special Translator |

Inspection Commission yields a point.

[Signs of realization on the part of the Inspection and Exchange

Commissions

Commissions that they may have gone too far in pursuit of their purpose are beginning to be noticeable.] In this Consulate's report No. 39 dated April 26, 1930, entitled IMPORTERS FACE ADDED DIFFICULTIES IN PERSIA, an amendment was reported to the regulations affecting foreign exchange transactions, whereby permits in most cases would now have to be obtained for the purchase of exchange even when the goods were ordered prior to the enactment of the law of February 25, 1930, thereby reversing one of the original by-laws on the subject. Under date of May 6, 1930, the Inspection Commission published a notice that a ten-day period of grace would be granted to applicants for exchange who had ordered goods prior to the passage of the law, even if their obligations had not yet fallen due. After the expiration of this period on May 16, no further consideration is to be given to such applicants.

It is understood, moreover, that the Imperial Bank is carrying on negotiations with the National Bank in an effort to adjust the rate of exchange to a point more sensibly in keeping with the actual value of the kran. At 12.35 to the dollar, the kran remains fictitiously stabilized, and the fact that the National Bank is reported to be lending an acquiescent ear to these conversations would suggest that even that bank is prepared to admit the palpable absurdity of such a rate. It is felt that if the rate were allowed to move somewhat in the direction it would normally be taking, the economic position of the country would improve, particularly in the matter of giving impetus to exports. Nothing definite is known as to the new rate under discussion, but it is thought that 65 to the pound or 13.45 to the dollar might be a logical one to adopt at this stage.

Exchange bootlegged in the bazaars.

In the bazaars, "bootlegging" of exchange takes place on an increasing

increasing scale, at a rate reported to be from one to two krans to the dollar higher than the legal figure. This, of course, defeats the purpose of the fixed rate which the banks are compelled to observe, [and may have contributed in some measure to the readiness with which the Imperial Bank's proposal has received a hearing.]

In the last few days, exchange in limited amounts has been sold by the banks, but it is not predicted how long this will continue.

Specifications ready for the new currency.

Regulations have been published in the Press embodying specifications for the new currency, and it is understood that plans are being perfected for ~~the~~ coining the recently created pahlavi, rial, and dinar abroad.

In weight, the coins are to be as follows:

| | |
|-----------------------|-------------------|
| Nickel 5 dinar pieces | 2 grams |
| " 10 " " | 4 " |
| " 25 " " | 5 " |
| Copper 1 " | 1 $\frac{1}{2}$ " |
| " 2 " | 2 $\frac{1}{2}$ " |

The diameter of the various pieces is scheduled to be according to the following:

| | |
|------------------------|--------------------|
| Gold 20 rial pieces | 22 milimeters |
| " 10 rial pieces | 19 " |
| Silver 5 rial " | 37 " |
| " 2 " " | 26 $\frac{1}{2}$ " |
| " 1 " " | 22 $\frac{1}{2}$ " |
| " $\frac{1}{2}$ " " | 18 " |
| Nickel 25 dinar pieces | 24 " |
| " 10 " " | 21 " |
| " 5 " " | 18 $\frac{1}{2}$ " |

Copper

Copper 2 dinar pieces 17 millimeters

" 1 " " 15 "

All silver coins are to have milled edges, while the specifications for the gold coins in this regard are to be decided later on.

Major Harry G. Davis appears in Teheran.

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The presence in Teheran at this critical juncture of Major Harry G. Davis, former Treasurer General under the American Financial Mission, has created something of a sensation. Major Davis, who arrived from Bagdad unexpectedly on a financial investigation of a private nature, had not been in town 48 hours before he was unofficially tendered his old post of Treasurer-General, vacated last November by the Swiss specialist, Mr. E. Walder, and since that time occupied by Mr. E.I.G. Dekerkheer, Administrator General of Customs. The offer in question was made by Dr. Otto Lindenblatt, Director of the National Bank, who, while not specifically empowered by the Government to do so, assured Major Davis that the Council of Ministers would approve any recommendations he might make in this connection. There is every reason to believe that not only would such approval be immediately forthcoming, but that acceptance by Major Davis would be hailed with uncontrolled delight by everyone concerned, Dr. Lindenblatt included.

Major Davis, however, politely but firmly declared that he was not open to any offers from the Persian Government. Privately expressed to the writer, his views were that sufficient money did not now exist in the Persian treasury to draw him from his present lucrative business practice, and that he was not interested in any position in Persia under any circumstances.

In

In Major Davis's opinion, the real storm has not yet burst in Persia. Discussing remedies for the present financial situation, he suggested the possible loan of money and administration of the country's finances by an American banking institution under the resident directorship of a Fiscal Agent. This position might be analogous to the arrangement formerly prevailing in Nicaragua and Haiti, and would in effect be almost identical with the powers given to the Millspaugh Mission, though under a different name. Without some steps of this nature, Major Davis places little faith in the economic future of the country.

850
HSV/MHA

Sources: Teheran press, personal observations and interviews with bankers, politicians, exporters and importers.

DOCUMENT FILE

NOTE

SEE 891.516/39 FOR Report #46

REGARDING: The New Economic Council. That the government realizes in some measure the seriousness of the problems of the Economic situation is shown by the formation of,-- This commission held its first meeting under the Presidency of His Excellency Mohammad Ali Foroughi.

lat

New Economic Council.

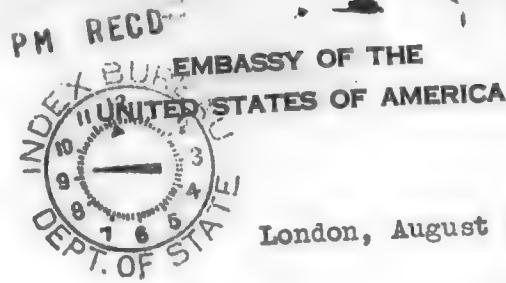
That the government realizes in some measure the seriousness of the problems in store is shown by the formation within the last few days of a Supreme Economic Council, composed of Mr. Bayat, Under-Secretary of National Economics, Dr. Alamir, Director General of Economic Affairs, Dr. Otto Schniewind, Director General of Finances, Dr. Otto Lindenblatt, Director of the National Bank of Persia, M. Hesse, of the Law School, and M. Dekerkheer, Administrator General of Customs. This commission held its first meeting under the presidency of His Excellency Mohammad Ali Foroughi, recently given the post of Minister for Foreign Affairs upon the removal of Mohammad Ali Farsine, but temporarily occupying at the same time the chief post in the Ministry of National Economics.



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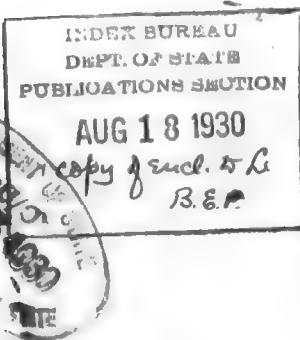
outlook still ominous.

Despite the lull in untoward events affecting the economic situation, it would nevertheless seem that conditions are fundamentally unsound and that the next few months are likely to produce a crisis of far more serious proportions than obtains at present. It would appear that the critical moment will come when the country passes from the silver to the gold standard, since the contemplated reserves for the gold basis seem to be limited to the Anglo-Persian oil royalties scattered in various European banks. There is not even any definite assurance that the £ 2,800,000 of this fund is today intact, and there are many persons who believe that the larger part of it has filtered away in such purchases as military supplies.



No. 1113

AUG 18 1930



The Honorable
The Secretary of State,
Washington.

Sir:-

I have the honor to transmit, attached hereto,
for the Department's information, two copies of the
handbook issued by the Department of Overseas Trade,
entitled, ECONOMIC CONDITIONS IN PERSIA. One copy
of this publication has been forwarded to the American
Legation, Teheran, Persia.

Respectfully yours,

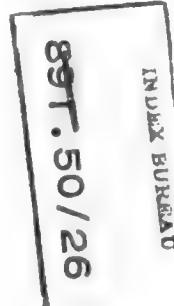
For the Ambassador:

Ray Atherton

Ray Atherton,
Counselor of Embassy.

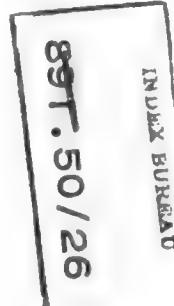
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Teheran,
Persia.

DEPARTMENT OF OVERSEAS TRADE.

Economic Conditions

IN

PERSIA

Dated March, 1930.

891.50/26

REPORT

BY

E. R. LINGEMAN,

Officer in Charge of Commercial Affairs, British Legation, Tehran.



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DEPARTMENT OF OVERSEAS TRADE.

Economic Conditions IN PERSIA

Dated March, 1930.

REPORT
BY
E. R. LINGEMAN,

Officer in Charge of Commercial Affairs, British Legation, Tehran.



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DEPARTMENT OF OVERSEAS TRADE.

COMMERCIAL REPRESENTATION ABROAD.

To foster British overseas trade, the Department has developed and controls the following Services of Commercial Intelligence Officers :—

1. IN THE EMPIRE.

The Trade Commissioner and Imperial Trade Correspondent Services.

At the present time there are 15 Trade Commissioners' offices. These are situated, four in Canada (Montreal, Toronto, Vancouver, Winnipeg) ; two in Australia (Sydney, Melbourne) ; South Africa (Capetown, Johannesburg) ; and India (Calcutta and Bombay—to cover also Ceylon) ; and one each in New Zealand (Wellington), Irish Free State (Dublin), British East Africa (Nairobi), British West Indies (Trinidad), and Malaya (Singapore).

The Trade Commissioners in the Dominions have the assistance of Imperial Trade Correspondents at a number of important centres.

In various parts of the Empire in which at present there are no commissioners, there are correspondents with whom the Department deals direct.

2. IN FOREIGN COUNTRIES.

(a) The Commercial Diplomatic Service attached to the British Diplomatic Missions.

This service consists of thirty-six officers who are stationed in all the more important foreign markets of the world. The members of the Commercial Diplomatic Service are styled "Commercial Counsellors" in the highest grade, and "Commercial Secretaries" in the two lower grades. They are members of the staff of the British Embassy or Legation in which they serve.

The Commercial Diplomatic Officer has general supervision over the commercial work of the consular officers in his area and, with the co-operation of these two services, a complete network of Government commercial representatives is thrown over foreign countries.

The Department is represented in Persia by Mr. E. R. Lingeman, Officer in charge of Commercial Affairs, British Legation, Tehran.

(b) The British Consular Service.

Particular attention has been given to the commercial side of consular work since the reorganisation of the service. In certain countries where no commercial Diplomatic Officer is stationed the senior Consular Officer undertakes duties of a similar character.

Members of British firms are urged to call upon the Department's representative abroad when they visit an overseas country. It is also important that they should make a point of their representatives abroad keeping in close touch with the Department's officers.

Further information regarding the above services can be obtained on application to the Department of Overseas Trade, 35, Old Queen Street, London, S.W.1.

NOTE.

It should be understood that the views expressed in annual reports are the views of the officers themselves, and are not necessarily in all respects those of the Department.

TABLE OF CONTENTS.

| | | PAGE |
|--|--------|------|
| MAP | At end | ... |
| COMMERCIAL SUMMARY | ... | 4 |
| HINTS FOR TRAVELLERS | ... | 10 |
| I.—REVIEW OF THE PERSIAN YEARS 1306 (1927-28), 1307 (1928-29) and 1308 (1929-30) | ... | 12 |
| II.—FINANCE :— | | |
| (a) Financial situation on March 20th, 1929 ... | ... | 15 |
| (b) Revenue | ... | 16 |
| (c) Expenditure | ... | 17 |
| (d) Exchange | ... | 17 |
| (e) Banking | ... | 19 |
| (f) Currency | ... | 20 |
| III.—TRADE :— | | |
| (a) The Balance of Trade | ... | 20 |
| (b) Imports (General) | ... | 21 |
| (c) Textiles | ... | 25 |
| (d) Import Trade in the year ending March, 1930 ... | ... | 27 |
| (e) Exports | ... | 28 |
| (f) General Trading Conditions | ... | 28 |
| (g) Commercial Legislation | ... | 30 |
| IV.—INDUSTRY :— | | |
| (a) The Anglo-Persian Oil Company | ... | 30 |
| (b) Carpets | ... | 31 |
| (c) Industrial Development | ... | 32 |
| V.—TRANSPORT AND COMMUNICATIONS :— | | |
| (a) Railway Construction | ... | 33 |
| (b) Roads | ... | 33 |
| (c) Motor Transport | ... | 34 |
| (d) Civil Aviation | ... | 36 |
| VI.—SOCIAL QUESTIONS :— | | |
| (a) Standard of Living | ... | 36 |
| (b) Education | ... | 36 |
| (c) Health and Hygiene | ... | 37 |
| VII.—CONCLUSION | ... | 37 |
| APPENDICES :— | | |
| I.—Imports (Chief Countries of Origin) | ... | 38 |
| II.—Exports (Chief Countries of Destination) | ... | 39 |
| III.—Total Trade (Chief countries trading with Persia) ... | ... | 40 |
| IV.—Chief Articles of Import | ... | 41 |
| V.—Chief Articles of Export | ... | 44 |
| VI.—List of Imports in respect of which foreign exchange can only be bought by special authority | ... | 46 |
| VII.—Road Distances | ... | 47 |
| VIII.—Motor Transport Rates | ... | 48 |
| IX.—Air Service | ... | 49 |

COMMERCIAL SUMMARY.

1. Area.—About 628,000 square miles, or more than three times the size of France.

2. Population.—According to the latest estimates of the Census Department, the population of Persia is just over 10 millions. The average density of population, therefore, is in the neighbourhood of sixteen to the square mile.

3. Religion.—The majority of the population are of the Shiah branch of the Mahomedan religion, and their numbers are probably in the region of seven and a-half million. The next most important sect is that of the Sunni Mohammedans, who are practically confined to Kurdistan and Azerbaijan; 800,000 may be taken as their approximate number. Of the rest, composed of Jews, Armenians, Zoroastrians, Nestorian Christians, and Bahais, any estimate would probably be misleading.

4. Languages.—The usual language of commercial correspondence with foreign firms is French. Turkish and Turkish dialects are spoken in the North-West of Persia. The use of English is on the increase.

5. Currency.—The monetary unit is the kran. Twenty shahis equal one kran. Ten krans equal one toman. For commercial and accounting purposes the kran is usually sub-divided into one hundred cents.

Bank notes are issued by the Imperial Bank of Persia for denominations of 1, 2, 5, 10, 20, 50 and 100 tomans. They are stamped payable only in the town of issue.

For the new currency to be introduced shortly see page 20.

Exchange.—The average kran-sterling rates for 1927-28 and 1928-29 have been 49·25 and 48·03.

6. Weights.—

Table of weights at present in use.

| <i>Persian Weight.</i> | <i>English Weight.</i> | <i>Metric System.</i> |
|--------------------------------|------------------------|-----------------------|
| 1 miskal | 71·6 grains | 4·64 grams. |
| 1 seer=16 miskals | 2 ozs. 185 gr. | 74·24 " |
| 1 batman (Tabriz)=40 seers | 6·5464 lbs. | 2·970 kilograms. |
| 1 kharvar (Tabriz)=100 batmans | 654·64 " | 297·00 " |
| 3 kharvars | 1963·92 lbs. | 1 short ton (approx.) |
| 3½ " | 2291·24 " | 1 ton (approx.) |

Note.—The Batman (usually abbreviated to "Man") varies in different towns, but the Tabriz man is the most used and is universal in the north of Persia. One Shah man equals two ordinary mans.

7. Measures.—

For Cloth:

16 gerehs=1 zar (about 40½ inches).

For Land:

1 zar=39 to 42 inches, according to local custom.

6,000 zars=1 farsakh.

For Distances:

1 farsakh=2½ to 4 miles, according to the nature of the country, the farsakh being the distance covered by a loaded mule in an hour.

8. **Proposed new weights and measures** (based on the metric system which were to have come into force before 31st May, 1929, and which will presumably be introduced shortly).—

Solid.
(Unit = 1 derham).

Multiples :—

| | | | | |
|---------------------------------------|-----|-----|-----|------------------|
| 10 nokod or 2 derhams | ... | ... | ... | 2 grammes. |
| Half miskal or $2\frac{1}{2}$ derhams | ... | ... | ... | $2\frac{1}{2}$ " |
| 1 miskal or 5 derhams | ... | ... | ... | 5 " |
| 1 seer or 75 derhams | ... | ... | ... | 75 " |
| 1 charak or 750 derhams | ... | ... | ... | 750 " |
| 1 sang or 1,000 derhams | ... | ... | ... | 1 kilogramme |
| $\frac{1}{2}$ man or 1,500 derhams | ... | ... | ... | $1\frac{1}{2}$ " |
| 1 kharvar or 300,000 derhams | ... | ... | ... | 300 " |

Fractions :—

| | | | | |
|-------------------------------|-----|-----|-----|----------------|
| 1 khardal or $1/1000$ derhams | ... | ... | ... | 1 milligramme. |
| 1 arzan or $1/100$ derhams | ... | ... | ... | 1 centigramme. |
| 1 gandom or $5/100$ derhams | ... | ... | ... | 5 " |
| 1 nokod or $20/100$ derhams | ... | ... | ... | 20 " |

Measures of Length.
(Unit, 1 gaz = 1 metre).

Multiples :—

| |
|---|
| 10 gaz = 1 decametre. |
| 100 gaz = 1 hectometre. |
| 1 mil or 1,000 gaz = 1 kilometre. |
| 1 farsang or 10,000 gaz = 1 miriametre. |

Fractions :—

| |
|---------------------------|
| 1 hazarom = 1 millimetre. |
| 1 bahr = 1 centimetre. |
| 1 gereh = 1 decimetre. |

Measures of Surface.
(Unit, 1 square gaz = 1 square metre).

Multiples :—

| |
|--|
| 1 gefiz = 1 are or 1 square decametre. |
| 1 jarib = 1 hectare. |
| 1 square mil = 1 square kilometre. |

Fractions :—

| |
|--------------------------------------|
| 1 square gereh = 1 square decimetre. |
| 1 square Bahr = 1 square centimetre. |
| 1 square moo = 1 square millimetre. |

Measures of Capacity.
(Unit, 1 cubic gaz = 1 cubic metre).

Fractions :—

| |
|---|
| 1 cubic gereh = 1 cubic decimetre = 1 peymaneh (for liquid measures). |
| 1 cubic bahr = 1 cubic centimetre. |
| 1 cubic moo = 1 cubic millimetre. |

9. **Calendar**.—By Act of Majlis the Persian year is now divided into six months of 31 days each, five of 30 each, and one of 29 (or 30 in leap years). The new names for these months are a revival of the old Persian names instead of the more modern Turkish nomenclature. The Persian New Year begins on March 21st.

10. **Bales and Packages**.—

(Approximate).

| |
|--|
| 1 donkey load = 150-180 lbs. |
| 1 mule load = 200-250 lbs. |
| 1 camel load = 350-400 lbs. |
| 1 cart (2 wheels) = 650-1,000 lbs. |
| 1 fourgon (4 horses) = $1\frac{1}{2}$ to 2 tons. |

Goods are only carried under exceptional circumstances by animal transport on the main roads but it is just as well that they should be made up into handy packages weighing between 75 and 200 lbs. Heavy lorries up to six tons are in common use but not on every main road. British shippers are still prone to disregard instructions for careful packing. Cases should be strongly made and have a jute covering; they should also be tin lined if the contents are likely to suffer from moisture. Bales should be bound with hoops. Packers should be made to realize that goods destined to the interior of Persia will be subjected to very rough treatment.

11. Traffic Routes (for inland transport rates see Appendix VIII).—

(1) Persian Gulf Ports.

(a) The British India Steam Navigation Company run fast and slow mail steamers carrying passengers and cargo between Bombay, Karachi and Basrah. The fast service connects with the P. and O. mail steamers at Bombay, and is scheduled to take four days between Basrah and Karachi, stopping only at Mohammerah and Bushire.

The slow service calls at Mohammerah, Koweit, Bushire, Bahrein, Dubai, Lingah, Henjam, Bandar Abbas, Jask, Muscat, Charbar, Gwadur, Pasni, Karachi and Bombay. No time is scheduled due to delays experienced in loading in open roadsteads in bad weather.

(b) A direct cargo and passenger service between Europe and Basrah is run by Messrs. Frank C. Strick and Company in conjunction with the Ellerman and Bucknall Company. Monthly sailings from London, Glasgow, Manchester and Marseilles. Bi-monthly sailings from Antwerp. This service takes cargo on through bills of lading to Baghdad and Ahwaz.

(c) The German Hansa line also run a cargo and passenger service between Bremen and the Gulf ports including Basrah.

Note.—American, Dutch, Italian and other steamship companies accept cargoes on direct B/L's with transhipment at Bombay to the Persian Gulf ports and also via Basrah to Baghdad, and via Mohammerah to Ahwaz.

The Russians have also established a service between Odessa and the ports of the Persian Gulf.

(d) *Bandar Abbas* is the port for the Kerman and, to a lesser extent, for the Yezd district. The Bandar Abbas-Kerman road via Daidabad is now passable for light motor traffic.

(e) *Bushire* is still the chief port for Central Persia. Steamers discharge in the open roadstead about 3 miles from shore, goods being lightered by native barges to the Customs. In winter goods are frequently damaged by sea water and sometimes lost. There are no cranes for heavy packages.

The road from Bushire to Shiraz leads across low lying land which is regularly flooded during the rainy season. The mountain passes are steep and the road narrow so that heavy motor transport is little used.

The new Ahwaz-Khuramabad road will probably divert a large part of the Tehran traffic and reduce Bushire to being a feeder for the Shiraz and Isfahan districts.

(f) *Mohammerah—Ahwaz—Bandar Shapur*.—Seagoing steamers discharge at Mohammerah in the river about 1-1½ miles off shore, goods being transported by road or river to Ahwaz. Thence to Hamadan and Tehran by the new Khuramabad road.

Goods shipped on direct B/L's to Ahwaz are often delayed in the late summer and early autumn owing to the lowness of the

Karun River. It is often cheaper and quicker therefore to ship to Mohammerah only.

The Persian Government propose to build a new port at Bandar Shapur, at the mouth of the Khur Musa, which is to be the southern terminus of the projected railway. The line has already been constructed as far as Dizful from Bandar Shapur (157 miles) but it has not yet been opened to traffic.

(2) *Iraq Transit Route*.—Basrah offers the advantages of a port where goods including heavy packages, can be unloaded direct from steamer on to quay. Re-forwarding by the river steamers of the Euphrates and Tigris Steam Navigation Company or by rail to Baghdad, thence by rail to railhead at Kaniqin or by lorry through Kaniqin to Kermanshah and Tehran. 'Iraq railways undertake collection at Basrah and delivery in Kermanshah, Hamadan and Tehran. Goods can in any case be sent as far as Kaniqin on a through B/L and it frequently saves time and expense to ship goods destined to Persia to Basrah instead of Baghdad. There is a transit duty of $\frac{1}{2}$ per cent.

This route is generally regarded as more expensive than the Bushire route but it offers a saving of time in the winter months, the Kermanshah road being very rarely closed. It has now found a more serious competitor than the Bushire road in the Mohammerah-Khuramabad-Tehran route.

(3) *Beirut-Baghdad*.—Transport by trans-desert motor service Beirut-Damascus-Baghdad, thence via Kaniqin as above. Transport rates from Beirut-Baghdad have been reduced from £150 per 1,000 kilos in 1925 to £25-35 in 1929. Time of transit 3-4 weeks. Transit duty in Syria and 'Iraq $\frac{1}{2}$ per cent.

This route offers rapid communication between Persia, Europe and America, sailings to and from the Syrian coast being more frequent, and the time taken shorter than to and from the Persian Gulf, but transport costs are appreciably higher and can only be borne by certain categories of goods which are valuable in proportion to their weight.

(4) *Batum-Baku*.—In accordance with the special arrangements under the commercial agreement of October 1st, 1927, between Persia and the Soviet Union, goods in transit for Persia emanating from those countries which themselves have concluded a commercial agreement with the Soviet Union are admitted into Soviet territory free of licence.* Exports from Persia to any destination can be shipped without a special licence.

This route is at present largely used for German and Italian imports into Persia and exports of carpets from Tabriz to Constantinople and New York.

The Russian Navigation Company Kaspar maintains three lines on the Caspian :—

(a) Baku to Pahlavi, leaving Baku every Monday, arriving at Pahlavi the next day and returning to Baku on the Wednesday.

(b) Astrakan-Baku-Astara-Pahlavi.

(c) Baku-Astara-Pahlavi-Shahsavar-Meshediar-Bandar Gaz and return.

Bandar Shah, the northern terminus of the projected North to South railway, where a new port is to be built, lies within a few miles of Bandar Gaz.

(5) *Azerbaijan (Tabriz)*.—This highly productive province is mostly served by rail from Julfa to Batum via Tiflis, i.e., across Russian territory (see route 7). It has captured a large part of the trade that used to follow the now less used Trebizonde route across Turkish territory by caravan. British goods reach Azerbaijan by way of Baghdad and Hamadan but work is progressing on the Rawanduz road which affords more direct communication between this province and 'Iraq.

*Note.—Under Article 1 of the Temporary Commercial Agreement concluded on April 10th, 1930, between His Majesty's Government and the Soviet Union Government, British goods would now appear to fall within this category.

(6) *Indian Transit Route*.—By steamer to Karachi, by the Indian North Western Railway System to Duzdap in Persian territory, thence by caravan or motor transport either North to Meshed or West to Kerman. Importers in Meshed tend to revert to their former practice of importing via Baghdad or the Gulf ports through Tehran, the time taken being often faster and the difference in price small.

Consignees in Duzdap can claim a drawback amounting to fifteen-sixteenths of the import duties paid at Karachi.

12. Insurance.—Insurance from Persian ports to inland towns is comparatively high. If goods are insured by senders to port only and consignee covers a second insurance to his domicile, the question on which part of the journey the damage arose and therefore which insurance company should settle the claim, is difficult to solve. It also often happens that the importer in Persia does not cover insurance for the inward journey, but in case of loss or damage he sends in a claim to sender, asking for refunds, rebates or payment facilities. Exporters can protect themselves and their clients by covering the insurance, although goods are only delivered c.i.f. port, up to inland destination, where known to them. The difference in premium is very small. This insurance U.K.—inland Persia is comprehensive, mostly on "all in" terms and costs only $\frac{1}{4}$ of split up insurance. The separate second insurance from port to inland destination generally does not cover war, rebellion, pilferage, often not even particular average, whereas these risks can easily be covered by direct through insurance.

13. Posts and Telegraphs.—

Parcel Post.

Service (1).—Parcels for Persia in transit via India will be eventually forwarded by the Persian Postal Administration after payment of Customs dues and internal postal rates provided they are addressed Poste Restante at one of the five following Persian Offices:—Bushire, Bandar Abbas, Lingah, Mohammerah or Duzdap.

Service (2).—Uninsured parcels can also be sent by the desert motor route via 'Iraq. They should be addressed Poste Restante at Kasr-i-Shirin, and the words "By Overland Mail Haifa-Baghdad" should be included in the address.

All parcels must be packed in wood, tin, canvas or similar material and not merely in paper or cardboard. Rates for forwarding in Persia are:—

- (1) 5 cents. of 1 kran per 100 miskals (approximately 1 lb.) or fraction thereof for every 5 farsakhs (20 miles) not exceeding 20 farsakhs (80 miles).
- (2) 10 cents of a kran per 100 miskals or fraction thereof for every 10 farsakhs exceeding 20 farsakhs and less than 190 farsakhs (760 miles).
- (3) 3 krans per 100 miskals for distances exceeding 190 farsakhs.

The minimum charge for a parcel is 50 cents of a kran. All distances are calculated according to the statistics of the Government roads followed by the posts. All the above charges are further subjected to a surtax of 50 per cent., and a further surcharge of 25 per cent. is imposed on all parcels exceeding 60 centimetres in length, 45 centimetres in breadth or 20 centimetres in height. Customs sealing and other charges are also an extra item. The charge for a parcel between Bushire, the usual port of entry of British parcels, and Tehran, is approximately 1s. 4d. per lb.

For rates as far as Poste Restante office and for detailed information, see British Post Office Guide.

It should be noted that it is inadvisable to send catalogues, etc., via the Southern Persian post offices and the Persian internal parcel post service, as the charges for re-expedition are so heavy that consignees often do not choose to take delivery. Trade literature and light samples may be sent by letter

post through Russia (maximum weight 2 kilogs, but single volumes up to 3 kilogs accepted). These also need to be properly packed.

Telegraphs.

There is direct telegraphic communication between London and Tehran by the Indo-European Telegraph Company. The Indo-European Telegraph Department, moreover, run a service from Karachi to Tehran. The rate per word, United Kingdom to Persia, is 1s. 7d., except Bushire 1s. 10d., Bandar Abbas and Lingah 2s. 1d. Deferred telegrams are not accepted.

The wireless station at Tehran has a limited range and has proved somewhat unreliable. A new and up-to-date short wave station is to be opened at Tehran in the near future.

HINTS FOR TRAVELLERS.

1. The best time of the year for a visit to Persia both from the point of view of trade and climate is the spring and autumn when merchants are placing their orders for the following winter and summer seasons respectively. During the winter (November to March) roads are liable to be blocked by snow and rain and transport rates are higher, while travelling in summer is apt to be uncomfortably hot, especially in the Gulf.

2. It is unnecessary to bring a vast amount of kit, an increasingly large number of European articles being obtainable in Tehran. Where clothing is concerned, travellers should remember that it is apt to be extremely hot from June to September and extremely cold from November to March.

3. Drinking water should be avoided unless the source is known to be uncontaminated. On the road tea can be had every few miles.

4. Travellers from London to Persia have a number of routes to choose from :—

(a) By Imperial Airways to Baghdad and Junkers air service to Tehran. Cost £100. Scheduled time, seven days. This is the quickest route and not necessarily the most expensive if a minimum of luggage is carried.

(b) By car from Beirut via Damascus to Baghdad, train to Khaniqin, and on by car to Tehran. Time 12-14 days. Cost by Nairn and Persia Transport Services, including 100 lbs. of luggage, £75-£100 according to the route followed as far as Beirut.

Beirut can be reached either by sea or by land. The Messageries Maritimes and Fabre Line maintain direct services from Marseilles to Beirut, as also the Lloyd Triestino from Trieste. The Wagons-Lits Company now have a through service from Paris to Egypt by way of Constantinople and Beirut, the stretch Homs-Beirut-Haifa being covered by car.

(c) Iraq Railways have quite recently organized a service from Baghdad to Kirkuk by rail, Kirkuk to Nisibin by car (269 miles), and from Nisibin to Constantinople by rail (wagon-lit). Cost, Baghdad to London, £60, including sleeper. Scheduled time, 8 days. On this basis the cost from London to Tehran works out at £80 and the time 11 days.

(d) Overland via Berlin, Moscow, Baku, Pahlavi. Cost £50, including sleeper. Time, 8-9 days.

Note.—The costs given are intended to give an *approximate* idea of the total expenses incurred by a first class traveller from London to Tehran without excess luggage.

Travellers from India can either take the slow or fast mail steamer from Karachi to one of the Persian Gulf ports or go by train from Quetta to Duzdap. In both cases the journey must be continued by car.

5. The following is a list of hotels in the more important towns. Hotels are not up to European standards.

Tehran.—Grand, Astoria, Royal, France, Berlinerhof. (There are also a number of European pensions).

Isfahan.—Hotel d'Amerique.

Hamadan.—Hotel de France.

Kermanshah.—Bristol.

Resht.—Metropole, Hotel d'Europe.

Pahlavi.—Hotel de France, The Grand.

In Tehran full pension can be obtained in the better hotels for about Krs. 25 or 8s. per day. In places where there are no hotels rest houses are often to be found where a clean room can usually be obtained for 5s. or so, including supper and breakfast. The traveller has, however, to supply his own bedding.

6. Cars may be hired in most places, the rate varying considerably according to the season, competition, etc., but generally speaking from 6d. to 1s. per

mile, varying with the type of car, is the basic price. Post lorries run between the more important towns and have limited accommodation for passengers, the fares charged amounting to a penny or so per mile.

7. For Junkers' air services see Section V and Appendix IX.
8. In the larger towns horse cabs may be hired, the usual fare for an ordinary trip within the town being Krs.2 in Tehran, or about 8d.
9. There are no special regulations regarding the registration of commercial travellers, or the entry of samples.
10. All travellers must be in possession of a police permit (*jawaz*) which should be presented on entering and leaving towns. This can be obtained direct from the police, or through the local Consular Officer, though in the latter case application should be made in good time.
11. Friday is the official weekly holiday. There are besides a number of Bank Holidays (25 to 30 in all) spread over the year, as well as five days holiday at the beginning of the Persian Year, *i.e.*, March 21st.

REPORT
ON
ECONOMIC CONDITIONS in PERSIA
(*Dated March, 1930*).

I. REVIEW OF THE YEARS 1306, 1307 and 1308.

1306 (March 21st, 1927–March 20th, 1928).—The year opened under conditions which could hardly be termed encouraging. The peasant and landowner had far from recovered from the aftermath of the grain shortage of 1925-26 and the slump in the price of all produce which normally found a market in Russia. The trader experienced increasing difficulty in financing his business owing to a burden of taxation which inevitably reacted on the purchasing power of the population as well. There were disturbing rumours of an embargo or prohibitive surtax on the importation of luxury goods, now a very important branch of trade. Most serious of all, the Russian embargo was still officially in force, which meant that the flow of Persian exports to Soviet Russia continued to be restricted.

In May, 1927, a composite project was submitted to the Mejlis for the abolition of the land tax and the introduction of new monopolies on opium, tobacco and matches, in addition to a 10 per cent. tax on all incomes over £200. Although this project failed to secure ratification by the Mejlis, it added to the prevailing sense of insecurity.

Fortunately there was a notable improvement in the situation in the autumn. Not only was the cereal harvest a good one, generally speaking, but a trade agreement was concluded between the Persian and Soviet Governments on October 1st, 1927, which placed the commercial dealings between the two countries on a much more satisfactory footing and put an end to the so-called Russian embargo on Persian imports. As a result the statistics of the Persian customs for 1927-28 showed a slight increase over the previous year both where imports and exports other than oil are concerned, although they compare unfavourably with the figures for 1925-26, i.e. before the Russian embargo (or partial embargo) was established.

1307 (March 21st, 1928–March 20th, 1929).—By the beginning of 1307 there were fresh signs of anxiety and despondency. The usual Nu Ruz demand, which should make the New Year a time of feverish activity in the bazaars, failed to make itself

felt. Apart from the fact that the New Year happened to fall in Ramazan complaints of the lack of money were heard on every hand. The financial situation of the Persian Government on the other hand was exceptionally strong.

Although north Persia could afford to congratulate itself on the end of the Russian embargo the volume of Russian purchases proved disappointing. Moreover the Russian trade organisations, under the terms of the trade agreement, were able to compel Persian merchants to take Russian goods in exchange for Persian products. These goods were not always easily marketable and were often undercut by similar goods sold by the Russians themselves. The Soviet Government also initiated a determined selling campaign in south Persia, sailings from Odessa to the Persian Gulf being resumed in June, 1928, for the first time since the war.

Two events of outstanding interest were the grant of contracts to a German-American syndicate for the construction of trial sections at each end of the projected north to south railway, and the introduction of a Government opium monopoly in July. The latter measure caused widespread dismay among the large classes of the population directly or indirectly interested in opium, but a better tone developed when it became clear that the Government had no intention of entering the export trade for the time being.

The customs figures for the year showed a further slight increase in the value of both imports and ordinary exports, while the steady development of the Anglo-Persian Oil Company's shipments and the success attending their sales policy abroad guaranteed the Persian Government a very gratifying return in the form of royalty.

1308 (March 21st, 1929–March 20th, 1930).—The year as a whole was the worst experienced for a long time from the commercial point of view. The dominating factor has been the steady fall in the exchange over the greater part of the year coupled with the inability of the merchant in most lines of trade to put up his prices proportionately, the purchasing power of the population being already at a very low ebb owing to the effects of taxation, poor crops and a bad offtake in the export trade. Persian importers in a large number of cases either refused to take up their goods or sold them at a loss. Manchester goods, in view of their higher cost, suffered appreciably more than others. The Russians were quick to exploit the situation, their prints and shirtings flooding the markets of the South, where British goods still command the majority of sales after losing the markets of the north some years ago.

On the other hand the export trade failed to derive much benefit from the favourable rate of exchange. There was a general slump in the world price of nearly all Persian exports (carpets,

cotton, wool, silk, furs, hides, gums, fruit, &c.), even before the Wall Street collapse of October, 1929, which depressed the American demand for Persian carpets very considerably and reacted unfavourably on American and European markets as a whole. Russian purchases, moreover, were considerably less than the year before. Trading conditions with Russia tended to go from bad to worse, principally owing to the formalities and restrictions imposed by the Soviet Government and the nature of the goods given in exchange for Persian exports. Competition among exporters also resulted in far smaller profits being made in the opium trade.

Business in Bushire, Shiraz and Isfahan was particularly bad during the summer owing to tribal risings, the main road to Bushire being closed for months at a time. Insecurity interfered with the gathering of the crops and locusts wrought havoc in both Kerman and Fars.

It was not till the close of the year that the exchange depreciated sharply and that the import trade came to a virtual standstill in consequence. The Government, when it stepped in, very soon fixed the exchange at 60. This rate, however, is so divorced from parity that it does not pay exporters to operate. The result has been that there are no sellers of exchange, the banks themselves restricting their sales to the minimum in the absence of cover. A great number of importers with bills to meet are therefore finding themselves in a most awkward predicament.

The following trial sections of the north to south railway were completed :—From Bandar Shah on the Caspian, west to Aliabad, at the foot of the Elburz (80 miles) and from Bandar Shapur, on the Persian Gulf, north to Dizful (156 miles).

II. FINANCE.

Note.—The figures quoted in the 1927 report for revenue and expenditure represented the so-called general budget of Persia. This general budget, however, does not include such important items as the revenue derived from the sugar and tea monopoly which is earmarked for railway construction, nor the road taxes, only half of which are paid over to the Road Department, the balance going to swell the budgets of the departments responsible for education and public hygiene, nor a miscellany of minor items of revenue and expenditure. An attempt has been made in this report to make up for the absence of a consolidated budget prepared by the Persian Ministry of Finance. Although the figures quoted below cannot be guaranteed, they should afford a far more comprehensive and, generally speaking, a far more accurate picture of the financial situation of Persia than has proved available in recent years.

(a) Financial Situation on March 20th, 1930 :—

| Treasury General Balances. | | | Public Debt. | | |
|---------------------------------------|----------------|-------------------------------------|---------------|----|---|
| A. in krans. | | | Funded Debt.— | | |
| | Krans. | | £ | s. | d |
| Public Funds | 176,388·30 | 1911 Loan ... | 1,124,414 | 18 | 3 |
| Trust Funds— | | Brit. Govt. advance | | | |
| Railway fund (current account) | 59,639,509·95 | 1912 | 140,000 | 0 | 0 |
| Do. (deposit account) | 32,292,000·00 | Brit. Govt. advance | 200,000 | 0 | 0 |
| Road Fund | 7,505,115·10 | 1913 | 100,000 | 0 | 0 |
| Pensions (current account) | 3,603,428·15 | Brit. Govt. advance (Fars) 1913 ... | | | |
| Do. (deposit account) | 7,663,038·00 | Brit. Govt. advance (Kerman) 1914 | 50,000 | 0 | 0 |
| Other trust funds ... | 6,277,952·55 | | | | |
| Reserve Funds | 6,588,412·20 | | | | |
| | 123,745,844·25 | | | | |
| At 60 | 2,062,430 14 9 | Floating Debt— | | | |
| | | National Bank (over-draft) | 18,876,786·30 | | |
| | | Do. (Tobacco Mon.) | 6,000,000·00 | | |
| | | Do. (Municipality) | 475,000·00 | | |
| | | | 25,351,786·30 | | |
| | | At 60 | 422,529 15 5 | | |
| | | Credit Balance ... | 1,951,906 6 7 | | |
| Special Funds (from railway fund) ... | 112,349 13 0 | | | | |
| C. in dollars. | \$350·63 | | | | |
| At 5 | £70 2 6 | | | | |
| Total ... £3,988,851 0 3 | | Total ... £3,988,851 0 3 | | | |

It will be seen from the above that the financial situation of the Persian Government is a very liquid one, total assets on March 20th, 1930, exceeding total liabilities by nearly two million sterling. This credit balance is the result of the Government having set aside a large proportion of its revenue for special purposes. Firstly, the proceeds of the sugar and tea monopoly, amounting to approximately one million sterling annually, were allowed to accumulate ever since 1925 until railway construction was started in earnest in 1928-29. Secondly, the oil royalty, which for the last four years has averaged nearly one million sterling, is also being left in London in connection with the proposed introduction of a gold standard.

(b) Revenue :—

| Chief sources of revenue— | 1927-28 | 1928-29 |
|--|--------------------|--------------------|
| <i>Customs—</i> | Krans. | Krans. |
| (a) Ordinary | 89,910,852 | 111,696,909 |
| (b) Sugar and tea monopoly (net) ... | 60,901,923 | 64,334,560 |
| (c) Road tax ... | 40,131,691 | 36,164,375 |
| (d) Lamb tax ... | 308,840 | 277,936 |
| | 191,253,306 | 212,473,780 |
| <i>A.P.O.C. royalty</i> ... | £1,488,392 | £596,855 |
| At 49·25 | 73,303,306 | At 48·03 |
| | | 28,666,946 |
| <i>Direct taxation (on real estate, crops, livestock and means of transport) ...</i> | 47,017,721 | 49,839,301 |
| <i>Posts and Telegraphs</i> ... | 13,548,391 | 12,201,016 |
| <i>Tobacco</i> | 13,414,854 | 14,258,860 |
| <i>Opium</i> | 13,319,465 | 16,754,968 |
| <i>Public Domains</i> | 12,798,691 | 21,710,518 |
| <i>Excise and other indirect taxes</i> | 6,142,780 | 8,225,209 |
| Summary of all sources of revenue— | | |
| Ordinary | 205,714,877 | 248,888,478 |
| A.P.O.C. royalty ... | 73,303,306 | 28,666,946 |
| Sugar and tea monopoly (net) | 60,783,073 | 64,334,560 |
| Road Tax | 40,131,691 | 36,164,375 |
| Miscellaneous | 8,256,645 | 14,678,491 |
| Grand Total ... | 388,189,592 | 392,732,850 |
| At 49·25 | £7,882,022 | At 48·03 |
| | | £8,176,824 |

The total revenue of the country increased to the extent of 4·6 million krans, or 1·2 per cent. in 1928-29. The ordinary customs revenue in that year was 21·7 million krans higher, while the sugar and tea monopoly also brought in 3·4 million krans more than the year before, owing to the introduction of the new tariff on May 10th, 1928. The customs receipts in general, it will be noted, represent as much as 50 per cent. of the total revenue. The oil royalty, on the other hand, fell from £1,488,392 in the first year to £596,855 in the second year under review, but it has since reached the £1½ million figure once more.

(c) Expenditure :—

| Chief items of expenditure— | | 1927-28 | 1928-29 |
|--|---------|--------------------|--------------------|
| Public works, agriculture and commerce— | | | |
| (a) North to South railway | ... ... | 8,168,459 | 119,549,353 |
| (b) Roads | ... ... | 20,180,221 | 26,427,576 |
| (c) Agriculture, commerce and miscellaneous public works | ... ... | 7,123,790 | 9,462,005 |
| | | 35,472,470 | 155,438,934 |
| Ministry of War | ... ... | 98,789,033 | 111,918,104 |
| including Road Guards | ... ... | 5,580,000 | 12,011,599 |
| Finance | ... ... | 38,177,319 | 34,982,956 |
| Interior | ... ... | 20,404,946 | 25,416,877 |
| including Sanitation | ... ... | 3,425,750 | 3,635,064 |
| Posts and Telegraphs | ... ... | 15,944,260 | 21,923,943 |
| Municipalities | ... ... | 15,718,671 | 20,096,121 |
| Education | ... ... | 11,445,955 | 17,763,255 |
| Public Debt | ... ... | 8,166,468 | 8,225,175 |
| Foreign Affairs | ... ... | 6,707,210 | 9,076,399 |
| Justice and land registration | ... ... | 5,446,098 | 13,742,575 |
| Summary— | | | |
| General budget | ... ... | 229,648,632 | 275,437,090 |
| Sugar and tea monopoly (constituting railway fund) | ... ... | 8,168,459 | 119,548,353 |
| Road tax | ... ... | 39,382,309 | 48,749,853 |
| Miscellaneous... | ... ... | 4,879,789 | 7,972,429 |
| Total expenditure | ... ... | 282,079,189 | 451,707,725 |

There was an increase of expenditure in the second year amounting to 169·7 million krans, which is largely accounted for by railway construction 111·4, war 13·2, justice 8·3, roads 6·3, education 6·2, posts and telegraphs 6, municipalities 4·3, and foreign affairs 2·3 million krans.

In 1927-28 the excess of revenue over expenditure amounted to 106·1 million krans, the oil royalty paid during that year having been left untouched for the first time, and only a very small expenditure having been incurred on the railway. In 1928-29, on the other hand, expenditure exceeded revenue by 59 million krans owing to large sums having been spent on the railway. The accumulated revenue from the sugar and tea monopoly, however, more than covered the total spent on the railway up to date. There was also a surplus of ordinary revenue over ordinary expenditure in both 1927-28 and 1928-29.

(d) Exchange.—The following were the average monthly kran-sterling rates of exchange during the last two years :—

| 1928 | | | | | 1929 |
|-------|----------------------------|-----|-----|-----|-------|
| 47.62 | January | ... | ... | ... | 49.15 |
| 47.37 | February | ... | ... | ... | 50.65 |
| 46.75 | March | ... | ... | ... | 51.75 |
| 46.00 | April | ... | ... | ... | 53.62 |
| 46.12 | May | ... | ... | ... | 53.87 |
| 46.62 | June | ... | ... | ... | 54.25 |
| 47.60 | July | ... | ... | ... | 55.00 |
| 48.87 | August | ... | ... | ... | 55.25 |
| 48.18 | September | ... | ... | ... | 55.63 |
| 48.08 | October | ... | ... | ... | 57.86 |
| 48.35 | November | ... | ... | ... | 60.30 |
| 49.05 | December | ... | ... | ... | 59.80 |
| 47.55 | Average for the whole year | ... | | | 54.76 |

Although silver has been falling steadily ever since 1921 the Persian exchange was maintained between 45 and 48 krans to the £ until two years ago. This was due to the fact that the country's balance of trade, including the oil shipments which bring in a handsome net profit to the Persian Government in the shape of a royalty, was a favourable one. For the last three years, however, this royalty, which is paid in sterling in London and which used to be transferred to Persia as required, has been left in London, with the result that some £3,000,000 have been withheld from the credit side of the trade balance. Moreover, the Persian Government has bought £2,000,000 in order to finance its purchases of railway material abroad instead of indenting on its sterling reserve, which it wished to keep intact for the purpose of introducing a gold standard. The export trade in 1929 was also very unsatisfactory. Under these conditions the demand for exchange far exceeded the supply and the rate, which stood at 46 in March and 49 in December, 1928, gradually rose to 62 in November, 1929, an increase of 26½ per cent. in twelve months. After falling to 58.75 in December it quickly rose again, reaching 70, the highest point, on January, 28th, 1930, after which it fell again to 65 as holders of exchange were tempted to sell.

At this stage the Government decided to check the downward course of the kran, and on February 24th the Mejlis passed a Bill which declared all dealings in foreign exchanges a monopoly of the Government. The latter appointed a commission to fix the rate, which at the time of writing stands at 60—silver point being about 90—and another commission to control the sale of exchange under the Presidency of the German Director of the National Bank. Certain banks are allowed to sell exchange for what are obviously *bona fide* purposes, subject to the regulations issued by the Control Commission being observed. There is, however, a list of goods, quoted in Appendix VI to this report, in respect of which foreign exchange can only be had on the authority of the Control Commission itself. These goods, it should be noted, are either luxury articles or articles which are considered as competing with local products. It is not yet known to what extent the Govern-

ment propose to restrict the imports of these articles, but British firms would do well, before shipping any of these to Persia, to make sure that the consignees can obtain sufficient foreign exchange to effect payment. A professed inability to do so may serve as an excuse for not taking delivery of goods.

At the time of writing the import trade is completely paralysed. Uncertainty is felt regarding the Government's ability to stabilise the exchange at an artificial rate. Prices of both Manchester and Russian cotton goods on the Tehran market have gone up 30 per cent., while luxury articles have appreciated 35-40 per cent. The crisis will in any case serve to liquidate accumulations of stocks and thereby clear the air a little, but that is poor consolation for an otherwise dismal state of affairs.

(e) **Banking.**—A situation such as that described in the section of this report entitled "General Trading Conditions" (page 28) should in the normal way call for high rates of interest and restricted credits. Owing to the difficulty of employing capital, however, and the growing competition between the banks, this is hardly the case. The rate of 8 per cent. for ordinary business advances cannot be considered abnormally high in view of the risks involved.

The banks, in the absence of any local fields of investment, practically confine themselves to purely banking business, the plethora and therefore the cheapness of money being reflected in the low rates allowed on fixed deposits by the more firmly established banks. The Imperial Bank of Persia, which gave 3 per cent. for twelve months and 2½ per cent. for six months in 1929, reduced these rates to 2½ per cent. and 2 per cent. in December, 1929, and to 2 per cent. and 1 per cent. quite recently, no interest being allowed on current accounts.

The Imperial Bank of Persia is the oldest bank in Persia, established 40 years ago under a charter and a concession from the Persian Government. Throughout this period it has been intimately connected with the Persian Government finance and has played an important rôle in the economic development of the country generally. It pays an annual royalty on its profits to the Government. Besides 26 branches in Persia it has a branch in Bombay and two in Iraq and an office in London.

The National Bank, which was founded in 1927 with a small capital supplied by the Persian Government, has its head office in Tehran and 15 branches in the provinces. Although it was originally intended to encourage agriculture, industry and trade, its activities have hitherto been restricted to the latter. The Government propose, however, to add approximately £100,000 to its capital so that it should open a special department for the purpose of assisting agricultural development.

The Russian Bank, which is mainly interested in financing Russo-Persian trade, has 11 branches in Persia, mostly in the

north but also in Tehran, Hamadan and Isfahan. A branch has also been opened in Shiraz in connection with the recent expansion of Russian trade in south Persia.

The Ottoman Bank has branches in Tehran, Hamadan and Kermanshah, which are mostly concerned with 'Iraq's transit trade with Persia.

The *Bank i Pahlavi*, or Auto Bank, under the direction of the Treasurer-General to the Forces, has been given the army pension fund as capital. It deals chiefly in inland bills and advances money on landed property, which foreign banks have hitherto not been allowed to do.

(f) **Currency.**—As a result of the fall in the market price of silver the Persian Government have decided to introduce the gold standard. According to a Bill which was passed by the Mejlis on March 19th, 1930, the new standard of value is to be the gold real, which is sub-divided into a hundred dinars.

The following coins will be legal currency :—

Gold.—A pahlavi, which is to be the exact equivalent of an English £, worth 20 reals; and a half pahlavi.

Silver.—A half, 1, 2 and 5 real pieces.

Nickel.—Five, 10 and 25 dinar pieces.

Copper.—One and 2 dinar pieces.

For a time the silver kran, of which there are thought to be about 600 million in the country in coins of varying denominations, will be legal tender as well as the silver real; in other words, they will be exchangeable for gold under certain conditions. The rate of conversion is not yet known, but it seems as if the Government propose to maintain the kran-sterling rate at its present level of 60 krans to the £. At this rate three krans would be worth one silver real. The Government is credited with the intention of demonetising all the krans left in circulation on as early a date as March 21st, 1932, and of purchasing them at their bullion value.

The measure is far reaching and its cost a very heavy one for the country to bear. The immobilisation of a gold reserve, which is bound to be large in terms of Persia's total capital resources, must have serious repercussions on Persian trade and the national economy in general.

III. TRADE.

(a) **Balance of Trade.**—The balance of Persia's external trade in 1928-29, compared with the previous year, was as follows* :—

*The following Table is based after figures for Oil exports furnished by the Anglo-Persian Oil Co. In Appendix V use has been made of the returns published by the Persian Customs Authorities.

| | | 1306 (1927-28) | 1307 (1928-29) | Increase or decrease. |
|--|-----|--------------------------------|--------------------------------|--------------------------|
| | | (In krans and sterling) | | % |
| IMPORTS— | | | | |
| Merchandise ... | ... | 773,372,193 (£15,702,989) | 758,146,371 (£15,784,851) | — 1·9 + 0·5 |
| Bullion and specie ... | ... | 34,061,180 (£691,597) | 61,719,084 (£1,285,010) | +81·2 +86·0 |
| Total ... | ... | 807,433,373 (£16,394,586) | 819,865,455 (£17,069,861) | + 1·5 + 4·1 |
| EXPORTS— | | | | |
| Oil ... | ... | 797,234,800 (£16,187,509) | 892,234,400 (£18,576,606) | +11·9 +14·7 |
| Other than oil ... | ... | 463,138,054 (£9,403,818) | 480,053,692 (£9,994,872) | + 3·6 + 6·3 |
| Total ... | ... | 1,260,372,854 (£25,591,327) | 1,372,288,092 (£28,571,478) | + 8·9 +11·6 |
| TOTAL TRADE— | | | | |
| (Including merchandise, bul- lion and specie) ... | ... | 2,067,806,227 (£41,985,913) | 2,192,153,547 (£45,641,339) | + 6·0 + 8·7 |
| <i>Excess of exports over imports</i> ... | | 452,939,481 (£9,196,741) | 552,422,637 (£11,501,617) | +22·0 +25·0 |

Rates of Conversion :—1927-28—£1 equals 49·25 krans.

1928-29—£1 .. 48·03 ..

It will be seen that imports have remained practically stationary while there was a small increase in ordinary exports. The increase in the value of the oil exports is due not so much to heavier shipments as to the greater percentage of benzine and kerosene available for shipment owing to improvements in refinery practice recently introduced by the Anglo-Persian Oil Company at Abadan, and the recovery of gas which has added to the lighter fractions in the company's crude oil. (The assessments of these oil exports were made by the company on a basis of average values agreed between the Persian customs and the company.)

The authorities now recognise the need to include the Anglo-Persian Oil Company's oil shipments in the Persian balance of trade, or in any case to include the royalty paid to the Government and the sums annually expended by the company in Persia in the balance of the country's international payments. These have now been in Persia's favour for at least seven years.

(b) **Imports.**—Persian imports during the years 1927-28 and 1928-29 fall into the following categories :—

| | 1927-28 | 1928-29 | 1927-28 | 1928-29 |
|---|-----------------------------|-------------|-------------------------------|-------------|
| Live animals ... | (Weight in mans) 736,917 | 980,420 | (Value in krans) 2,639,218 | 2,556,010 |
| Food and drink ... | 37,975,696 | 36,879,700 | 181,385,782 | 187,876,345 |
| Raw materials and semi-manufactured articles ... | 36,300,427 | 40,062,418 | 67,004,420 | 74,470,273 |
| Manufactured articles | 26,455,094 | 30,831,830 | 522,342,773 | 493,243,743 |
| Precious metals and gold and silver coins | 57,976 | 96,928 | 34,061,180 | 61,719,084 |
| Total ... | 101,526,110 | 108,851,296 | 807,433,373 | 819,865,455 |

Although imports of merchandise fell 1·9 per cent. in 1928-29 as compared with the previous year when calculated in krans, they show a small increase from £15·7 to £15·78 million, when calculated in sterling. They were valued at £16·05 million in 1926-27 and £11·5 million in 1913-14. There was an appreciable increase in the imports of bullion and specie from 34 to 61·7 million krans, which testifies to the economic prosperity of the country. Imports as a whole increased by 1·4 per cent. on a kran basis and 4·1 per cent. on a sterling basis.

Nature of Imports.—Cotton goods, sugar and tea together still represent 50 per cent. of the total merchandise imported. They are the articles of import mostly in demand by the Persian peasant and supply a valuable indication of his purchasing power. How low this is can be deduced from the fact that according to the figures of the Persian customs these staple imports *per capita* only amounted during the last year to 10s. in the case of cottons, 4s. 5d. in the case of sugar and 3s. 2½d. in the case of tea. At the same time it should be remembered that there is a good deal of smuggling into the country and to a lesser extent out of it, particularly in the "monopolised articles," i.e. sugar and tea.

Of the textile materials and fabrics imported during the three years ending March, 1929, pure cottons, cotton yarns and pure woollens are now below the 1926-27 level, while artificial silk fancies remain where they were. There has been an increase in cotton and wool mixtures, clothing and haberdashery (including hardware) due to the higher standard of living of the higher classes, especially where clothes are concerned. Imports of vehicles and mineral oils have gone up enormously in the same period. The fluctuations in the imports of machinery, tools, nails, rivets, &c., depend very largely on the A.P.O.C.'s programme of extension. Imports of iron and steel manufactures tend to increase, while the reverse is the case for iron and steel in bar and sheet form.

British Empire Imports (apart from India).—British* imports

*It should be noted that throughout the letterpress the term "British" is used as regards trade figures in reference to the British Empire (excluding India.)

into Persia during the last four years were valued at 249·9, 185·7, 236·6 and 157 million krans, representing 28·3 per cent., 23·6 per cent., 29·3 per cent. and 19·1 per cent. of the country's total imports. During the last year the fall in British imports amounted to 79·6 million krans (33·6 per cent.), or 74·4 million krans if one omits bullion and specie. This decrease is a general one, affecting not only the bulk but also the greater number of British imports into Persia. If one takes the eleven most important of these articles, or groups of articles, one will find that five only (vehicles, mineral oils, pure woollens, iron and steel manufactures, and mixtures of cotton and wool) show an increase in 1928-29, which in no case exceeds 1·3 million krans, while only one of the five (iron and steel manufactures) shows an actual increase in terms of the percentage of the total imports of that article into the country. Of the British imports that have fallen off in value, on the other hand, only one (raw iron and steel) shows an increase in terms of the percentage of the total imports of that particular article. Cotton goods fell roughly 40 per cent., thereby accounting for almost half of the total decrease in our imports, while Russian imports of cotton goods went up over 70 per cent. Our imports of machinery and tools were lower by 22 million krans, our share of this trade falling from 86 per cent. in 1927-28 to 61 per cent. in 1928-29, while the German imports more than doubled. In the same way our imports of haberdashery and hardware fell from 6·7 to 5·6 million krans, while German imports rose from 4·6 to 8 million krans. Although our imports of cotton tissues mixed with artificial silk fell from 3·8 to 2·8 million krans we retained virtually the same share of the trade, the imports of our chief competitor, Italy, falling in roughly the same proportion. Imports of nails, screws and rivets, of which a large proportion is for the A.P.O.C., fell from 14·4 to 2·6 million krans, while our share of the total fell from 86·9 per cent. to 46·1 per cent.

The eleven articles of import mentioned above, which represent approximately 90 per cent. of British imports into Persia, can be classified as follows :—

(a) *Cotton goods*, amounting to 40 per cent. of our total imports, in marketing which we should have little to fear were it not for the competition of the Russian trade organisations.

(b) *Other textiles*, representing from 7 to 9 per cent. of our trade in the last two years. In this case, if we have lost ground to Continental producers in general, it is because British manufacturers either cannot compete in price or do not produce articles which are low enough in quality for such an essentially poor market as the Persian.

(c) *Metals and machinery of all sorts*, which constituted as much as 26 per cent. of our imports in 1927-28 and 18 per cent. in the following year. Here we have strenuous competition to meet on the part of Russia and Germany. The latter has set out to

capture the expanding market for industrial machinery of all kinds, in which object it is favoured by its transit agreement with the Soviet Government. Here again price is the determining factor.

(d) *Vehicles of all sorts.*—The Persian market for cars and lorries is to all intents and purposes an American preserve. Though a dangerous one, owing to competition and the need to give long credits, it might repay attention on the part of British manufacturers of lorries in particular. The latter, however, cannot expect to do business merely by asking for agents to be recommended to them from whom they propose to exact cash against documents. Recommendable firms have long since taken up American agencies. One well-known German firm that manufactures heavy lorries, for which there is an increasing demand, has made considerable headway of late by establishing one of their own engineers in Tehran to whom they send lorries on consignment.

(e) *Mineral Oils.*—Benzine and kerosene marketed by the Russians in competition with the products of the Anglo-Persian Oil Company form the great bulk of these imports. There is, however, a growing demand for lubricating oils (2·9 million krans in 1928-29) and grease (1·6 million krans), of which Great Britain supplies a satisfactory proportion (1·3 and 1·2 million krans respectively).

British India.—Indian imports into Persia have been falling steadily during the last four years (217·7, 199·9, 163·3 and 158·1 million krans). The fall in the last year only amounted to 3·2 per cent. as compared with 33·6 per cent. for Great Britain, the difference being almost entirely due to the fact that in the case of India cotton goods represented a much smaller proportion of the total imports, whilst Russia is only just beginning to compete with India on the Persian market for the coarser weaves. The value of Indian cottons imported during the last two years into Persia fell from 54·8 million to 37·6 million krans, but this fall was almost entirely made up by an increase in tea from 53·1 to 67·5 million krans. Imports of cotton yarn fell from 16·3 to 15·5 million krans, but India's quota actually rose from 72 per cent. to 92 per cent., Japanese yarns being practically eliminated. Indian imports of rice and flour for consumption in south Persia fell from 6·9 to 4·7 and 1·9 to 1·4 million krans respectively.

Russian Imports.—Russia, thanks to her policy of compelling Persian exporters to take Russian goods in payment and otherwise selling at extremely low prices, has now displaced Great Britain as Persia's chief purveyor of foreign goods, the proportion of Russian imports to the total having gone up from 23·4 per cent. in 1926-27 to 38·4 per cent. two years later. It will be remembered that British ascendancy on the Persian market dates from the war, and it is only natural that Russia, if only because of her geographical position, should gradually reassume the dominating commercial position she held in Persia before the war. For reasons

of her own she has hastened the process by the simple method of undercutting her competitors with but little regard for landed costs.

Other Countries of Origin.—Though on a far smaller scale Germany (haberdashery, hardware, machinery, clothing, motor lorries, dyes, &c.), France (woollens, sugar, motor lorries, cottons, clothing, &c.), the United States (motor vehicles and their spares), and Belgium (sugar, cotton, woollen and silk tissues) were able in 1928-29 to develop their exports to Persia between 18 and 57 per cent. Italy, Iraq and Japan, on the other hand, lost a great deal of ground.

The chief articles of import are given, together with their origin, in Appendix IV, while the chief countries of origin are enumerated in Appendix I.

(c) **Textiles.**—The following analysis has been made of the Persian trade in textiles owing to its special interest to British manufacturers and shippers:—

Cottons.

Greys.—Imports of greys fell from 16.1 million krans in 1926-27 to 11.1 million in 1927-28 (-31 per cent.) and 10.6 million in 1928-29 (-4 per cent.). Imports of Manchester greys fell 51 per cent. and 27 per cent., or from 43 per cent. to 32 per cent. of the total imported. Indian imports also fell off 24 per cent. in 1927-28 and as much as 78 per cent. in 1928-29, i.e., from 20 per cent. to 5 per cent. of the total. The Russians on the other hand increased their sales 47 per cent. and 78 per cent., their share of the total mounting from 31 per cent. to 58 per cent.

Whites.—Total imports fell 8 per cent. and 19 per cent. from 27.6 to 25.5 million krans in 1927-28 and 20.6 million krans in 1928-29. British imports (as opposed to Indian) fell 20 per cent. and 16 per cent. but their share of the total increased from 75 per cent. to 78 per cent. Indian imports went up 17 per cent. in 1927-28 but fell 42 per cent. in the next year, or from 13 per cent. to 9 per cent. of the total. Russian imports went up 288 per cent. in the first year and only fell off 4 per cent. in the second, their quota increasing from 10 per cent. to 12 per cent. of the total.

Printed and dyed in the piece.—Total imports increased from 134 to 171.3 million krans in 1927-28 (+28 per cent.) only to fall back to 133 million krans in 1928-29 (-22 per cent.). British imports which represented over 41 per cent. of the total in the first year dwindled down to 26 per cent. in the second, the actual values being 71 and 34.4 million krans. Similarly the Indian quota fell from 17 per cent. to 13 per cent. (28.9 and 17.9 million krans) while the Russians increased their percentage of the total from 29 to 59 per cent. Italian sales which reached 15.3 million krans in 1927-28, very largely owing to the depreciation of the lira, fell right away to 1.3 million in the following year, a decrease of 91 per cent.

Dyed in the yarn.—Imports were valued at 38.8 million krans in 1926-27, 23.4 million in 1927-28 (-40 per cent.) and 27.8 million in 1928-29 (+19 per cent.). British imports increased by 5 per cent. to 4.9 million in 1927-28, but fell to 3.3 million (-33 per cent.) the next year. Indian imports have fallen heavily from 32.6 million in 1926-27 to 17.4 and 13.7 million in the next two years, their share of the total falling from 75 per cent. to 50 per cent. The Russians have now entered this market, their imports which were nil in 1926-28 amounting to 8.4 million krans in 1928-29 or 30 per cent. of the total.

Note.—Where greys, whites, prints and goods dyed in the piece are concerned, not only have Manchester and India lost a great deal of ground to Russia in 1928-29 but miscellaneous suppliers have lost more ground still. This disposes therefore of the possible contention that the fall in the Indian imports of textiles at all events may be due to the stricter determination of

the origin of imports by the Persian Customs. Other countries than those mentioned above as supplying cotton goods dyed in the yarn to Persia have, however, greatly improved their position, Italian imports increasing from 0·4 to 7 million and Belgian from 0·3 to 2·3 million krans.

Total (greys, whites, printed, dyed in the piece, dyed in the yarn).

The following table shows the present trend in the Persian cotton piece goods trade at a glance:—

| | | Comparison with previous year. | | Share of total trade. | |
|--------------------------|-----|--------------------------------|-------------------|-----------------------|---------|
| | | 1927-28 | 1928-29 | 1927-28 | 1928-29 |
| Great Britain ... | ... | + 5·6% | - 40·8% | 41·6% | 27·3% |
| British India ... | ... | - 25·3% | - 31·3% | 23·4 | 17·8 |
| Russia ... | ... | + 92·9 | + 74·4 | 24·4 | 46·9 |
| Italy ... | ... | + 19·2 | - 44·9 | 7·3 | 4·5 |
| Japan ... | ... | + 24·8 | - 37·0 | 1·2 | 0·8 |
| Belgium | ... | - 17·3 | + 17·2 | 0·9 | 1·3 |
| Other countries | ... | - 34·9 | + 11·1 | 1·1 | 1·4 |
| Total in 1,000 krans ... | ... | 234,033 + 6·8% | 211,797 - 9·5% | 100·0 | 100·0 |

The figures quoted in Appendix IV for the total value of cotton goods imported in the last two years (236·6 million krans in 1927-28 representing an increase of 7 per cent. over 1926-27, and 217 million krans in 1928-29 or a decrease of 8·3 per cent.) include 2·6 and 5·2 million krans worth of miscellaneous cotton goods respectively.

Other Textiles.

| | | Comparison with previous year. | | Share of total trade. | |
|---|-----|--------------------------------|------------------|-----------------------|---------|
| | | 1927-28 | 1928-29 | 1927-28 | 1928-29 |
| <i>Cotton tissues mixed with artificial silk—</i> | | % | % | % | % |
| Italy ... | ... | + 61·9 | - 33·6 | 45·9 | 40·7 |
| Great Britain ... | ... | + 48·2 | - 26·1 | 22·5 | 22·3 |
| Belgium | ... | + 4·5 | - 51·1 | 18·6 | 12·2 |
| Germany | ... | - 9·2 | + 1·5 | 5·5 | 8·4 |
| France | ... | - 19·3 | + 16·6 | 2·3 | 7·8 |
| Other countries | ... | — | — | 5·2 | 8·6 |
| Total in 1,000 krans ... | ... | 16,877 + 32·8 | 12,629 - 25·3 | 100·0 | 100·0 |
| <i>Pure woollens—</i> | | | | | |
| France... | ... | - 47·7 | + 41·6 | 27·7 | 32·8 |
| Great Britain ... | ... | - 41·3 | + 0·7 | 20·3 | 17·1 |
| Belgium | ... | + 25·4 | + 66·2 | 18·7 | 26·0 |
| Germany | ... | - 3·4 | - 6·8 | 11·7 | 9·1 |
| Italy ... | ... | - 40·8 | - 14·0 | 8·9 | 6·4 |
| Other countries | ... | — | — | 12·7 | 8·6 |
| Total in 1,000 krans ... | ... | 14,394 - 31·2 | 17,204 + 19·5 | 100·0 | 100·0 |

Imports of cotton tissues mixed with artificial silk in 1927-28, it will be noted, were 32.8 per cent. higher than the previous year. Italian imports went up nearly 62 per cent. and British over 48 per cent. There was a small increase in Belgian imports while Germany and France lost ground. In 1928-29 total imports fell to the extent of 25 per cent. back to the 1926-27 figure, while Great Britain maintained her position on this market, a part of the Italian and Belgian trade falling to Germany and France. Polish imports also increased from 0.3 to 0.48 million krans.

Imports of pure woollens were 31 per cent. lower in 1927-28, Belgian imports being the only ones to show an increase. In 1928-29 imports went up 19.5 per cent. but failed to reach the 1926-27 total of 17.4 million krans. France and Belgium shared this increase in trade between them while British imports remained stationary, Great Britain's quota falling in consequence from 20.3 per cent. to 17.1 per cent. of the whole.

Imports of mixed cotton and wool tissues increased from 7.6 million krans in 1927-28 to 9.9 million krans in 1928-29. British imports were the same in both years at 3.1 million. Belgian imports went up from 1 to 2.5 million, and French from 1.7 to 2.2 million krans.

The import trade in natural silk tissues amounting to 3.4 million krans in 1928-29 was almost entirely monopolized by France.

(d) **Import Trade in Year ending March, 1930.**—No Persian customs statistics are available in respect of this year but everything points to a serious decline in total imports and to a proportionately higher fall in the imports of British goods, which have been particularly severely affected by Russian competition and the falling exchange. The Board of Trade figures for the year ending December 31st, 1929, show that there was a fall of 34 per cent. (from £506,989 to £332,062) in the value of cotton piece-goods shipped from the United Kingdom to Persia direct. There was also a fall of 20 per cent. (from £1,244,735 to £991,159) in the exports to 'Iraq, a large proportion of which are actually marketed in Persia.

The following extracts from reports received from His Majesty's Consular Officers illustrate the situation which appears to be one of unrelieved gloom :—

Kerman (April-June).—Russian sugar, cotton piece goods (mostly prints and shirtings), matches and soap landed in April found a ready market in the Bandar Abbas district owing to their low prices with which other imported goods could not compete. Russian prints and shirtings are also flooding the Kerman market so that importers of Manchester goods are being forced to sell at a loss.

Tabriz (May-June).—The state of the bazaars is as bad as it could be. There have been seventeen bankruptcies.

Bushire (June-July).—The market is lifeless, Manchester goods sold at a loss when cleared at all. (August) Russian prints undercut Manchester prints by 30 per cent.

Kermanshah (October).—Business is at a standstill. There has been an epidemic of bankruptcies.

Bushire (November).—The market is lifeless. Russian chintz and cheap cottons continue to control the piece goods market and merchants dare not import Manchester goods.

Reports received from all over the country since January are to the effect that the bazaars have lapsed into a state bordering on stagnation.

(e) **Exports.**—Persian oil exports are discussed in other sections of this report (see page 20 and page 30). Exports other than oil in the four years ending March, 1929, were valued at £11·6, £9·1, £9·4 and close on £10 million according to the Persian customs statistics, but owing to under valuation on the part of exporters they must have been appreciably higher in reality.

Apart from mineral oils the greater portion of Persian exports to the United Kingdom, such as carpets, furs and sheep casings, are reshipped to the United States and the Continent. India, however, imports Persian carpets, cotton, wool, fruits and gums for her own use. Russia takes the great bulk of Persian fruits, cotton, wool and hides and the whole of the rice exports. (See Appendices II and V.)

The year 1929-30 has been a bad one for the trade in Persian exports other than oil, sales to Russia having proved disappointing and world markets generally unfavourable, especially where carpets were concerned. This has naturally contributed to the weakness of the kran exchange. (No customs statistics for the year 1929-30 are available.)

(f) **General Trading Conditions.**—There are three factors of old standing which make trade with and in Persia a somewhat hazardous undertaking :—An ingrained sense of optimism which finds expression in overtrading, an unorthodox interpretation of the usually accepted code of commercial morality, and the difficulties which in almost any country are associated with legal proceedings. There are, however, other influences at work to add to the difficulties with which both Persian and foreign traders have long had to cope.

The first of these arises out of the system, which forms the basis of the Russo-Persian Trade Agreement of October, 1927, but which was actually introduced by the Russians some years before, whereby Persian exports to Russia must be bartered against Russian goods, apart from a small percentage paid in foreign exchange which is only increased when the Russians find themselves in particular need of Persian cotton and wool. The importance of this measure can be understood from the fact that approximately 35 per cent. of Persian exports other than oil normally go to Russia. One natural consequence of this system has been that Russian goods have tended to displace such competing articles as British cottons (see page 25). More important still, from the point of view of the Persian merchant, is the marked tendency on the part of the Soviets to give a miscellany of articles, which are in the main difficult to market and often totally unsuitable, in exchange for Persian raw materials and food-stuffs, while keeping for their own trading organisations an

increasing share of the sugar and other primary commodities which find an immediate sale in Persia. This has been particularly noticeable since the Russians started sending large consignments of sugar to the Persian Gulf by sea in the autumn of 1928. Another common complaint of Persian merchants is that the Russian trade agencies doing business on their own account often dump on the market the very same class of goods that have been forced upon themselves. The cut-throat prices at which these Russian concerns are willing to sell affects at the same time the demand for similar goods of other than Russian manufacture.

The system of monopolies in operation in Persia has not made things easier for the trader. In the first place the introduction of a monopoly has invariably implied an increase in taxation. In the case of the sugar and tea monopoly of May, 1925, it meant nothing more; importation has been free though subject to a monopoly tax, equivalent to a customs surcharge, out of which the railway fund was constituted. The opium monopoly, which was instituted in July, 1928, however, actually seeks to control the collection, preparation and distribution of opium. Exports are unrestricted, though subject to a tax of 375 tomans on each case of 160 lb.—to be increased to 400 tomans on June 22nd, 1930. A tobacco monopoly was also introduced in March, 1929. Although its primary function is to collect the excise on local tobacco (a customs surcharge is also levied on imported tobacco) it is credited with the intention of controlling the manufacture of cigarettes, now a very flourishing industry.

Trading conditions have been especially arduous in South Persia owing to tribal risings and crop failures, while smuggling continues to do much harm to legitimate trade. Unfavourable reports for the year ending March, 1929, have also been received from His Majesty's Consular Officers at Meshed, Tabriz and Hamadan, in addition to Bushire, Shiraz, Kerman and Yezd.

Largely on account of the influx of Russian goods and owing to the fact that the Russians have found it more economical to cut down the number of their trade organisations in the north and do their buying and selling through a small number of big merchants in each town, but also as the result of the fall in purchasing power in certain provinces and the greater risk attached to indenting on the foreign manufacturer direct, there is an undoubted concentration of business in fewer hands and fewer centres. A growing number of merchants in such places as Kerman, Shiraz and Ahwaz, who used to order their requirements abroad, now make their purchases in Tehran. Hamadan also has lost much of its entrepôt trade owing to the greatly reduced imports of sugar and textiles via 'Iraq, due of course to severer Russian competition. On the other hand, the importance of Tehran as a distributing centre has increased very appreciably.

The all important question of the exchange is dealt with in a separate section, to which the special attention of British exporters to Persia is invited (see page 17).

Credits.—It should be obvious from what has been said above that British firms should exercise considerable caution in their Persian dealings. At the same time they cannot expect to do any business if they show themselves too rigid in their terms of payment, particularly in view of the facilities accorded by their competitors. The latter for the most part are not only content with 5-10 per cent. advances, but they will grant 6-12 months credit from the date of embarkation. Italian firms have been known to give as much as two years credit, apart from conceding substantial discounts to meet adverse market conditions. The Russians used to give 12 to 18 months, but now that they are firmly established on the market they have cut down their credit period to about eight months. British firms, when they are not sure of their customers, should insist on a 25 per cent. advance and the balance against delivery. In exceptional cases they may accept a smaller advance of say 10 per cent., with perhaps a further 10 per cent. on the arrival of the goods plus charges, and the balance in 90 days bills, but terms must necessarily vary according to the standing of the client and the nature of the article.

(g) **Commercial Legislation—Customs Tariff.**—A new tariff was applied on May 10th, 1928, comporting maximum and minimum rates. Great Britain, British India and all other countries in treaty relations with Persia benefit by the latter. Under the Tariff Autonomy Treaty signed in Tehran on the same day British goods are to benefit by the minimum rates laid down in this tariff for a period of eight years. British greys, whites and printed cotton goods pay 2·40 krans per batman as before, while pure woollens now pay 15 per cent. *ad valorem* instead of 10 krans a batman.

Commercial Litigation.—The abrogation of the capitulations on May 10th, 1928, entailed the abolition of the Foreign Office Tribunal, which tried cases between Persians and foreigners. All commercial cases without distinction are now referred to the ordinary courts. A determined effort is being made to modernise the whole judicial system.

Trade Marks and Patents.—It cannot be said that foreign trade marks duly registered in Persia under the law of March 30th, 1925, have been accorded full protection. Several owners whose rights have been infringed are said to have failed to obtain redress. The registration of trade marks which are clearly imitations of others is not unknown.

There is as yet no law for the protection of patents, but it seems probable that one will be submitted to the Mejlis shortly.

IV. INDUSTRY.

(a) **The Anglo-Persian Oil Company.**—Emphasis was laid in the 1927 report on the tremendous importance of the Persian oil industry to the economic life of the country, the Anglo-Persian Oil

Company having brought both the extraction and the refinement of the oil to a high level of efficiency. Figures were given to show the astounding increase in output, from 80,000 tons in 1912-13 to 5,000,000 tons in 1927-28, with a corresponding increase in the royalties paid to the Persian Government. These reached the record level of £1,389,612 in 1927-28. The following figures indicate that there has been no slackening in the company's activities :—

| | | Output in tons. | Royalties. |
|------------------|---------------------|-----------------|------------|
| 12 months ending | March 31st, 1927 | 5,107,081 | 1,389,612 |
| 12 " " | March 31st, 1928 | 5,357,800 | 596,855 |
| 9 " " | December 31st, 1928 | 4,289,733 | 509,085 |
| 12 " " | December 31st, 1929 | 5,710,000 | 1,250,000 |

The value of the company's exports has also been greatly enhanced of late owing to the application of newly discovered technical processes (see page 21).

The Anglo-Persian Oil Company's cash expenditure in Persia on account of wages, local material, &c., amounted to 75 million krans (£1.58 million) in the year 1928 and 84 million krans (£1.53 million) in 1929. On the other hand, quite apart from large dutiable imports of furniture, foodstuffs, wines and spirits, &c., for its staff, the company's undutiable imports were valued at £1.22 million in 1928 and £1.66 million in 1929.

In order to understand the full significance of these figures it should be borne in mind that the total revenue of the Persian Government in 1928-29 was estimated at a little over £8,000,000, while the country's import trade in the same year was valued at £17,000,000. Persia's oil industry is undoubtedly her finest asset.

(b) **Carpets.**—According to the figures published by the Persian customs the value of woollen carpets exported from Persia in recent years has been as follows :—

| | Krangs. | £ million. |
|-------------|-------------|------------|
| 1926-27 ... | 122,563,000 | 2.5 |
| 1927-28 ... | 154,062,000 | 3.1 |
| 1928-29 ... | 159,351,000 | 3.3 |

It should be noted, however, that the Persian customs, in view of the fact that there is no export duty on carpets except those containing aniline, have no interest in checking the value declared by exporters.

The figures quoted above appear to indicate that the Persian export trade in carpets expanded considerably up to the end of the year ending March, 1929. The most important contributory factors have been the greater demand for cheap and medium grades from Germany consequent on the reduction in the German tariff in July, 1927, and, more especially, the extraordinary American

and European demand for semi-antiques (i.e. carpets of pre-war manufacture). Private owners in Persia have been only too glad to dispose of their used carpets at the fancy prices offered and replace them by new ones, thereby stimulating local production.

Unfortunately there has been a very decided setback since the beginning of 1929. The European demand has been poor while the Wall Street *débâcle* of October last has naturally reacted most unfavourably on the all important American market. The most serious handicap, however, from which the Persian carpet trade is at present suffering is the uncertainty regarding the American tariff. The new duties on cheap oriental carpets are regarded by the trade as prohibitive. Their introduction would oblige certain districts in Persia to weave better carpets or stop production altogether. In view of this uncertainty Persian exporters dare not ship to the United States. The exports of the last few months probably amount to less than 50 per cent. of those of the corresponding period of the year before, in spite of a very favourable exchange. Prices for new goods have generally remained the same, although some of the lowest grades have fallen in price, while semi-antiques have practically followed the movements in the exchange.

The continued use of aniline dyes does much harm to the reputation of the Persian carpet abroad. Wool also constitutes a serious problem, prices having gone up appreciably during the last two years owing to the strong competition between the Russians and the carpet manufacturers for the limited supplies available, although the quality has deteriorated, particularly in Khurasan.

(c) **Industrial Development.**—No industrial development of any consequence has taken place. The project for the manufacture of rails in north Persia and also that for a paper factory, both of which were mentioned on page 29 of the report for 1925-27, have been abandoned.

The authorities, disappointed with the lack of enterprise displayed by private capitalists, sought to set them an example by exploiting a State-owned coal mine in the neighbourhood of Tehran, but the experiment was not a success. It was subsequently suggested to a foreign group that it should enter into partnership with the Government for the supply of water and electric power to Tehran, as well as the production of coal and cement for the town and railway, but the negotiations broke down.

At the time of writing (March, 1930), there are indications that the Persian Government propose to do everything in their power to develop new industries in Persia as a means of reducing imports and supporting the exchange. Sugar factories and cotton mills are spoken of, but it is difficult to understand how they could hope to compete on economic lines with similar products of foreign manufacture. It should also be remembered that the present tariff remains in force until May, 1936.

V. TRANSPORT AND COMMUNICATIONS.

(a) **Railway Construction.**—In March, 1928, the Persian Government came to an agreement with a syndicate composed of three German firms on the one hand, and an American firm on the other, whereby the syndicate undertook the survey of the whole of the north to south line and the construction of trial sections at each end, in addition to temporary quays, bridges, &c. It was decided that the Americans with their British and French associates should start construction at the inlet of Khur Musa in the Persian Gulf, where an entirely new port called Bandar Shapur was to be created, while the Germans built the northern section from Qara Su, a small fishing village in the bay of Ashurada, which has been re-named Bandar Shah. The total length of the projected railway will be 963 miles if built via Hamadan and Kazvin (Bandar Shapur to Tehran 664 miles, and Tehran to Bandar Shah 299 miles); or 889 miles if built via Nobaran and Sareh (Bandar Shapur to Tehran 590 miles, and Tehran to Bandar Shah 299 miles).

By February, 1930, the syndicate had constructed the trial sections; 156 miles from Bandar Shapur to Dizful over flat country—apart from temporary piers at Bandar Shapur and a steel bridge 1,081 metres long over the Karun at Ahwaz—and 80 miles from Bandar Shah to Aliabad at the foot of the Elburz, including a long wooden pier at Bandar Shah. The total cost up to date has been approximately £3·2 million.

The syndicate has tendered for the completion of the line in eight years at an estimated cost of £35,000,000. This figure does not include port construction at each end, so that the total cost on the basis of this estimate, including the expenditure already incurred, would be in the neighbourhood of £40,000,000. This is a sum which the country, with its total revenue of £8,000,000 (of which £1½ million is already set apart for railway construction) can ill afford to spend. The contractors have suggested that they might build a railway of the same (standard) gauge but with sharper curves and steeper gradients at a saving of £10-£15 million.

As will be seen from the financial section of this report purchases of railway material abroad have not been without influencing the kran exchange. This is a point to which the Persian Government, in view of the recent crisis, will have to pay particular attention.

All things considered, there is a likelihood of the Persian Government deciding to build short sections of the railway at a time in order to avoid serious repercussion on the exchange and the need to resort to a foreign loan.

(b) **Roads.**—The roads of the country continue to meet with a fair measure of attention on the part of the authorities although foreign observers are mostly of the opinion that the Persian Government would have been well advised to devote the large

sums it has been spending on the railway to road maintenance and construction, particularly in view of the fall in transport rates resulting from the importation of lorries in large numbers.

The Dizful-Khuramabad-Burujird road was opened by the Shah in October, 1928. This new road is unquestionably destined to become the main avenue of trade between Tehran and the Gulf if only security can be maintained and the road kept in good repair.

The Bandar Abbas-Daidabad-Kerman road was made passable for light motor traffic in the spring of 1929, but a great deal of work remains to be done.

It is hoped that the Rawanduz road, connecting Tabriz and the fertile area west of Lake Urmieh with north-east Iraq by way of the Rawanduz gorge, will be completed by the autumn of 1930.

The map at the end of this report shows the various categories of roads in Persia, while distances on the main trade routes are given in Appendix VII.

(c) **Motor Transport—Animal Transport.**—Animal transport has now been almost completely swept off the main roads by motor transport, pack animals being only used on such roads when certain sections are rendered impassable by floods, rain or snow; this applies particularly to the Bushire-Shiraz road in winter. Motor transport is also being used more and more on secondary roads, e.g. in the outlying districts of eastern and south-eastern Persia. Roads which have hitherto been mere caravan tracks are gradually being opened to motor traffic. The premium on the latter, which amounted some five years ago to 100 per cent. and had been reduced to 20 per cent. by 1927, has almost disappeared on certain routes.

Competition among Lorry Owners.—Motor transport rates are now affected not so much by competition from animal transport as by competition among the lorry owners themselves for the relatively small amount of freight offering. The supply of motor transport can now be said to exceed the demand, although reliable contractors can usually depend on finding freight, largely thanks to the strenuous competition between the Anglo-Persian Oil Company and the distributors of Russian oil products in every part of Persia. The average private owner, who can hardly ever buy his vehicle outright and whose working capital is generally non-existent, will keep his lorry on the road as long as he can cover his day to day expenses. Depreciation is not taken into account. One result of this is that the sellers of motor vehicles are hard put to it to collect their monthly payments. The market for motor vehicles in Persia can be said to afford a good instance of the instalment system's tendency to stimulate demand beyond its economic limit.

Rates.—Motor transport rates for the last three years will be found in Appendix VIII. Generally speaking the rates for 1928-29 were 10-20 per cent. below those of 1927. Export rates, it will be

noticed, continue to be considerably lower than import rates, sometimes as much as 80 per cent. This is due to the fact that the great northern agricultural belt, bordering as it does on the Caspian, is within easy reach of its principal market, Russia, while the oil of the south is pumped from the fields to the Anglo-Persian Oil Company's refinery and wharves at Abadan. The centres of population, on the other hand, lie mostly on the Iranian plateau to which imported goods have to be carried over high mountain ranges.

The recent fall in the exchange value of the kran has resulted in wholesale cancellations of orders placed abroad and a general curtailment of importation. This must lead to a slump in rates in the autumn of 1930 owing to the reduced supplies of merchandise available for transport.

Imports.—

| | 1924-25 | 1925-26 | 1926-27 | 1927-28 | 1928-29 |
|-------------------------------|---------|---------|---------|---------|---------|
| Motor cars | 529 | 1,111 | 1,330 | 1,112 | 1,369 |
| Lorries (including buses) ... | 103 | 492 | 967 | 977 | 1,783 |

It will be noticed that the imports of cars appear to have found their true level, while the imports of lorries show an enormous increase during the last year. This, however, is largely due to over-importation.

The origin of the motor vehicles imported during the last two years is indicated in the following tables :—

| | 1927-28 | | 1928-29 | | |
|--------------------|---------|------------------------------|---------|------------------------------|-------|
| | Number. | Per- centage of total. | Number. | Per- centage of total. | |
| <i>Motor Cars—</i> | | | | | |
| U.S. and Canadian* | ... | 997 | 89·7 | 1,207 | 88·0 |
| Italian | ... | 46 | 4·1 | 22 | 1·6 |
| United Kingdom | ... | 41 | 3·7 | 92 | 6·7 |
| French | ... | 16 | 1·5 | 34 | 2·5 |
| Miscellaneous | ... | 11 | 1·0 | 16 | 1·2 |
| Total | ... | 1,111 | 100·0 | 1,371 | 100·0 |
| <i>Lorries—</i> | | | | | |
| U.S. and Canadian* | ... | 797 | 81·5 | 1,538 | 86·3 |
| United Kingdom | ... | 59 | 6·0 | 31 | 1·7 |
| French | ... | 48 | 4·9 | 112 | 6·3 |
| Italian | ... | 48 | 4·9 | 19 | 1·1 |
| German | ... | 22 | 2·3 | 70 | 3·9 |
| Miscellaneous | ... | 4 | 0·4 | 13 | 0·7 |
| Total | ... | 978 | 100·0 | 1,783 | 100·0 |

*Separate figures not available.

British imports were almost entirely on account of the Anglo-Persian Oil Company. The Germans are specialising in heavy lorries, which are becoming increasingly popular.

(d) **Civil Aviation.**—The following summary shows the rapid development of civil aviation in Persia through the Junkers Company :—

January, 1927.—Monopoly of postal air service in Persia granted the Junkers Company for five years.

February, 1927.—Opening of the Tehran-Pahlavi weekly service.

March, 1927.—Opening of the Tehran-Hamadan-Kermanshah-Qasrishirin weekly service.

February, 1928.—Extension of the Tehran-Pahlavi line to Baku.

April, 1928.—Opening of the Tehran-Isfahan-Shiraz-Bushire weekly service.

April, 1929.—Extension of the Tehran-Kermanshah service to Baghdad.

May, 1929.—Opening of the Tehran-Meshed line (now a weekly service).

By October, 1929, the company's planes had flown a million kilometres in Persia and carried 10,000 passengers without serious mishap. It is interesting to note that whereas only 10 per cent. of the passengers carried in 1927 were Persians, as many as 75 per cent. were Persians in 1929.

It may be worth mentioning that the Junkers services connect with Imperial Airways at Baghdad and Bushire, so that it is possible to fly the whole way from London to Tehran via Cairo. In the summer the journey can also be made by air via Moscow.

A flight and price schedule forms Appendix IX to this report.

VI. SOCIAL QUESTIONS.

Standard of Living.—The standard of living of the peasantry, who form the great bulk of the population and who are heavily taxed in their primary necessities, remains very low, while the higher classes, and generally speaking the middle and lower middle classes in the towns, are indulging in an increasing number of luxuries (better clothes, cinemas, gramophones, more outings, &c.), which they cannot always afford. The greater facilities accorded for payment by instalments has accentuated the tendency among Persians to live above their income.

Education.—The mass of the population is totally illiterate. The Government has recently adopted the policy of sending a hundred students to Europe every year at its expense and of engaging a number of French professors to teach in the Persian schools. The primary aim must be to teach the rising generation to read and write. The authorities find themselves seriously handicapped by the very restricted number of trained teachers at their disposal, but the increasing attention which is being paid to the problem must bear fruit in time.

Health and Hygiene.—In spite of the Government's efforts no striking improvements have been registered, principally owing to the absence of practical methods in sanitary organisation, the dearth of properly trained doctors, the shortness of funds, the primitive ideas of the population in regard to hygiene and the dread of hospitals that animates the lower classes. Under these circumstances the endemicity of such diseases as typhoid and small-pox and the abnormally high death-rate—appallingly so among infants—is not unnatural. Malaria, tuberculosis and affections of the eye are among the diseases commonly encountered.

VII. CONCLUSION.

The economic situation of Persia can be described as fundamentally sound. There is an active trade balance if the large invisible exports are taken into account. The budget is balanced. There is no national debt to speak of, the funds at the Government's disposal exceeding its liabilities. Persia, moreover, has natural resources which still await development. Her mineral riches, apart from oil from which she derives and will continue to derive enormous benefits, are still an unknown quantity, it is true, but her agricultural production can be very appreciably increased and improved.

As was said in the 1927 report, it is in the adaptation of her means to her ends that Persia has so far failed to achieve success. The policy followed for some years past of immobilising a substantial portion of the country's revenue in order to form a gold reserve has had the effect of turning a favourable trade balance into an adverse one and of depreciating the national currency. The continued fall in the price of silver has admittedly reduced the intrinsic capital of the country as that of all other countries based on silver, but the introduction of a gold standard in the manner laid down in the Bill which has recently been passed by the Majlis, appears to be a costly remedy. The artificial rate at which the kran is being maintained in the meanwhile is also having a most adverse effect upon trade. There is a danger that the railway scheme and the policy of industrialisation will have to be paid for by new taxes, whereas there is reason to fear that the limit of taxation has already been reached. The Government also shows a tendency to accentuate its present policy of creating new State monopolies which can but contribute to the discouragement of private initiative.

Persia is going through a transitional stage. She has left behind the old order and entered a new era of modernisation and reform. She is bent on learning through her own experience. One can but hope that her efforts will ultimately meet with the success they deserve.

APPENDIX I.

IMPORTS.
(In thousands of krans).

| Chief Countries of origin. | 1928-29 | | | 1927-28 Value. | 1913-14 | |
|--------------------------------|------------------------------------|----------------------------|---------|-------------------|---------|------------------------------------|
| | Percentage of total imports. | Increase or decrease | Value. | | Value. | Percentage of total imports. |
| British Empire excluding India | 19.1 | -33.6 | 157,056 | 236,669 | 97,596 | 15.1 |
| India | 19.3 | -3.2 | 158,143 | 163,345 | 80,358 | 12.4 |
| British Empire | 38.4 | -21.2 | 315,199 | 400,014 | 177,954 | 27.5 |
| Russia | 35.5 | +39.2 | 291,061 | 209,159 | 355,888 | 55.0 |
| Germany | 5.8 | +46.6 | 47,237 | 32,216 | 30,373 | 4.7 |
| France | 4.9 | +18.0 | 39,836 | 33,759 | 19,629 | 3.0 |
| United States | 4.8 | +57.1 | 39,214 | 24,961 | 224 | — |
| Belgium | 3.5 | +31.4 | 28,938 | 22,024 | 15,392 | 2.4 |
| Italy | 2.5 | -35.7 | 20,843 | 32,405 | 5,598 | 0.9 |
| Holland | 0.9 | +27.3 | 7,150 | 5,618 | 1,371 | 0.2 |
| Iraq | 0.8 | -43.8 | 6,793 | 12,081 | 22,339 | 3.4 |
| Japan | 0.5 | -59.4 | 4,001 | 9,859 | 4 | — |
| Czechoslovakia | 0.4 | +36.8 | 3,332 | 2,435 | — | — |
| Total all countries | — | + 1.5 | 819,865 | 807,433 | 647,165 | — |

APPENDIX II.

EXPORTS.
(In thousands of krans).

| Chief Countries of destination. | 1928-29 | | | 1927-28 Value. | 1913-14 | |
|---------------------------------|------------------------------------|----------------------------|-----------|-------------------|---------|------------------------------------|
| | Percentage of total exports. | Increase or decrease | Value. | | Value. | Percentage of total exports. |
| British Empire excluding India | 25.77 | + 25.27 | 390,991 | 312,097 | 33,319 | % |
| India | 9.8 | + 9.32 | 145,788 | 133,351 | 23,792 | 7.3 5.2 |
| British Empire | 35.37 | + 20.5 | 536,779 | 445,448 | 57,111 | 12.5 |
| Egypt | 30.0 | + 454.4 | 456,053 | 82,262 | 5,020 | 1.1 |
| Russia | 10.9 | - 16.5 | 166,288 | 199,072 | 302,060 | 66.3 |
| United States | 5.3 | - 0.44 | 80,687 | 81,043 | 10,210 | 2.2 |
| France | 5.27 | - 7.13 | 80,100 | 86,258 | 4,589 | 1.0 |
| Germany | 2.7 | + 23.7 | 41,629 | 33,660 | 2,953 | 0.6 |
| Turkey | 2.5 | + 2.8 | 39,342 | 38,278 | 36,867 | 8.1 |
| Iraq | 1.36 | - 32.3 | 20,708 | 30,575 | | |
| Belgium | 2.25 | + 21.64 | 34,231 | 28,147 | 224 | 0.05 |
| Japan | 1.18 | + 377.24 | 17,973 | 3,766 | | |
| China | 0.73 | + 601.8 | 11,132 | 1,586 | 1,142 | 0.2 |
| Italy | 0.72 | - 4.7 | 11,050 | 11,593 | 10,474 | 2.3 |
| Total all countries | — | + 43.13 | 1,517,601 | 1,060,411 | 455,840 | — |

Note.—The enormous increase in the exports to Egypt in 1928-29 is accounted for by oil shipments nominally consigned to that country but actually destined to other countries.

APPENDIX III.

TOTAL TRADE—EXPORTS AND IMPORTS.
(In thousands of krans).

| Chief Countries trading with Persia. | 1928-29 | | | 1927-28 Value. | 1913-14 | |
|--------------------------------------|----------------------------------|----------------------------|-----------|-------------------|--------------|----------------------------------|
| | Percentage of total trade. | Increase or decrease | Value. | | Value. | Percentage of total trade. |
| | | % | % | | | |
| British Empire excluding India | 23.45 | — 0.13 | 548,047 | 548,766 | 130,915 | 11.9 |
| India | 13.0 | + 2.4 | 303,931 | 296,696 | 104,150 | 9.4 |
| British Empire | 36.45 | + 0.77 | 851,978 | 845,462 | 235,065 | 21.3 |
| Russia | 19.56 | + 12.03 | 457,350 | 408,231 | 657,948 | 59.7 |
| Egypt | 19.51 | + 454.25 | 456,143 | 82,299 | 5,033 | 0.4 |
| France | 5.13 | — 0.06 | 119,936 | 120,017 | 24,218 | 2.2 |
| United States | 5.13 | + 13.1 | 119,900 | 106,004 | 10,433 | 0.9 |
| Germany | 3.8 | + 34.89 | 88,866 | 65,876 | 33,326 | 3.0 |
| Belgium | 2.7 | + 25.9 | 63,169 | 50,171 | 15,616 | 1.4 |
| Turkey | 1.71 | — 3.52 | 40,046 | 41,508 | 59,206 | 5.4 |
| Italy | 1.36 | — 27.51 | 31,893 | 43,998 | 16,072 | 1.5 |
| Iraq | 1.17 | — 35.5 | 27,500 | 42,656 | (See Turkey) | — |
| Japan | 0.94 | + 61.27 | 21,975 | 13,625 | 4 | — |
| China | 0.57 | + 106.35 | 13,339 | 6,464 | 1,676 | 0.2 |
| Total all countries | — | + 25.14 | 2,337,466 | 1,867,844 | 1,103,005 | — |

See footnote to Appendix II.

APPENDIX IV.

CHIEF ARTICLES OF IMPORT.

| Commodities. | Years. | Value in 1,000 krans. | Per cent. of total. | Chief sources. Value in 1,000 krans. | Share per cent. of British Empire. |
|---|---------|-----------------------------|---------------------------|--|--|
| Pure cotton tissues | 1927-28 | 236,649 | 29.3 | G.B. 98,041; R. 57,225; B.I. 54,852; I. 17,356 | 62.5 |
| | 1928-29 | 217,031 | 26.5 | R. 100,057; G.B. 59,509; B.I. 37,657; I. 9,784 | 44.8 |
| Sugar and sugar confec- tionery (except chocolate) | 1927-28 | 92,926 | 11.5 | R. 70,327; B. 11,495; F. 4,754; H. 4,729 | — |
| | 1928-29 | 97,071 | 11.8 | R. 69,623; B. 15,914; H. 6,369; F. 3,883 | — |
| Tea | 1927-28 | 56,170 | 6.9 | B.I. 53,089; C. 2,867 | 94.7 |
| | 1928-29 | 68,808 | 8.4 | B.I. 67,530; C. 1,179 | 98.2 |
| Machinery and tools | 1927-28 | 42,294 | 5.2 | G.B. 36,357; G. 2,335 | 86.2 |
| | 1928-29 | 23,506 | 2.9 | G.B. 14,330; G. 5,165 | 61.3 |
| Vehicles of all sorts in- cluding tyres and other spare parts | 1927-28 | 32,878 | 4.1 | United States, 17,901; G.B. 6,051*; F. 2,891; I. 2,251 | 18.7 |
| | 1928-29 | 50,457 | 6.1 | United States, 28,122; F. 6,682; G.B. 6,475*; G. 4,141 | 13.0 |
| Mineral oils | 1927-28 | 31,666 | 3.9 | R. 27,416; G.B. 2,211 | 7.5 |
| | 1928-29 | 38,387 | 4.7 | R. 34,798; G.B. 2,558 | 7.2 |
| Bar silver | 1927-28 | 22,897 | 2.8 | G.B. 22,896 | 99.9 |
| | 1928-29 | 1,801 | 0.2 | F. 1,650 | — |

* Including Canadian imports.

APPENDIX IV—*continued.*

| Commodities. | Years. | Value in 1,000 krans. | Per cent. of total. | Chief sources. Value in 1,000 krans. | Share per cent. of British Empire. |
|---|--------------------|-----------------------------|---------------------------|--|--|
| Cotton yarn | ... ... | 22,625 16,974 | 2.8 2.1 | B.I. 16,320; J. 4,526; C. 932; G.B. 685 B.I. 15,505; G.B. 486; I. 446; C. 251 | 75.2 94.2 |
| Haberdashery, toys and hardware | 1927-28 | 20,164 23,470 | 2.5 2.9 | G.B. 6,794; G. 4,591; F. 2,650; B.I. 1,328; R. 1,056 G. 8,054; G.B. 5,657; R. 3,590; F. 1,870; B.I. 1,012 | 40.3 28.4 |
| Cotton tissues mixed with artificial silk | 1927-28 | 16,873 | 2.1 | I. 7,731; G.B. 3,799; B. 3,142; G. 920; F. 382 | 26.3 |
| Nails, screws, rivets, pegs, etc. | 1928-29 | 12,629 | 1.5 | I. 5,132; G.B. 2,808; B. 1,538; G. 1,057; F. 1,015 | 27.9 |
| Pure woollen tissues | 1927-28 | 14,468 | 1.8 | G.B. 12,451; R. 791 | 86.9 |
| | 1928-29 | 2,653 | 0.3 | G.B. 1,162; R. 789; United States 312 | 46.1 |
| Iron and steel manufacturers excluding machinery and hardware | 1927-28 1928-29 | 12,116 13,238 | 1.5 1.6 | G.B. 9,865; G. 771; M. 575; R. 432 G.B. 11,183; R. 901; G. 881 | 83.4 85.4 |
| Iron and steel in ingot, bar and sheet form | 1927-28 1928-29 | 11,198 6,786 | 1.4 0.8 | R. 4,780; United States 3,402; G.B. 2,347 R. 4,346; G.B. 1,914 | 22.2 29.5 |
| Gold and silver coin | ... ... | 11,112 61,509 | 1.4 7.5 | B.I. 6,477; R. 252; T. 181 R. 30,036; G.B. 17,730; B.I. 9,170 | 58.3 43.7 |

APPENDIX IV—*continued.*

| Commodities. | Years. | Value in 1,000 krans. | Per cent. of total. | Chief sources. Value in 1,000 krans. | Share per cent. of British Empire. | |
|--|--------------------|-----------------------------|---------------------------|--|--|--------------|
| Flour | | 1927-28 1928-29 | 8,309 2,534 | 1·3 0·3 | R. 6,290 ; B.I. 1,945 B.I. 1,480 ; R. 1,006 | 24·2 60·5 |
| Mixed cotton and wool tissues | 1927-28 1928-29 | 7,579 9,937 | 0·9 1·2 | G.B. 3,107 ; F. 1,741 ; B. 984 ; G. 867 ; I. 620 G.B. 3,130 ; B. 2,508 ; F. 2,202 ; G. 953 ; I. 562 | 43·8 31·6 | |
| Rice | | 1927-28 1928-29 | 6,965 4,729 | 0·9 0·6 | B.I. 6,940 B.I. 4,697 | 99·7 99·3 |
| Clothing, including linen, umbrellas, etc. | 1927-28 1928-29 | 6,888 10,218 | 0·8 1·2 | G. 1,976 ; F. 1,396 ; G.B. 1,055 G. 3,277 ; F. 2,219 ; G.B. 2,056 | 24·3 25·5 | |

Other imports than those mentioned above were (for 1928-29 and in thousands of krans) :—Glass 4,917, paper 4,089, goloshes 5,399, matches 3,978, other drugs 4,080, furniture 4,683, hemp and jute tissues 4,341, other chemical products 9,295, natural silk tissues 2,133, lambskins 2,594, spices 3,867, alcoholic drinks 2,816, copper and nickel in bars and sheets 2,875, cement 2,441, etc.

APPENDIX V.

CHIEF ARTICLES OF EXPORT.

| Commodities. | Years. | Value in 1,000 krans. | Per cent. of total. | Chief markets. Value in 1,000 krans. | Share per cent. of British Empire. |
|-----------------|---------|-----------------------------|---------------------------|---|--|
| Mineral oils | 1927-28 | 599,655 | 56.5 | G.B. 274,962; F. 83,192; B.I. 82,014; E. 77,072 | 59.5 |
| Woollen carpets | 1928-29 | 1,037,606 | 68.4 | E. 449,080; G.B. 329,311; F. 74,277 | 41.7 |
| | 1927-28 | 154,062 | 14.5 | United States 72,981; T. 34,321; G.B. 20,717; B.I. 12,403 | 21.5 |
| Fruit | 1928-29 | 159,351 | 10.5 | United States 75,322; G.B. 26,053; T. 31,703; B.I. 8,380 | 21.6 |
| | 1927-28 | 48,305 | 4.6 | R. 29,965; B.I. 11,221; M. 4,319 | 24.4 |
| Raw cotton | 1928-29 | 49,613 | 3.3 | R. 22,099; B.I. 13,934; M. 2,493 | 32.9 |
| | 1927-28 | 47,048 | 4.4 | R. 40,831; B.I. 6,016 | 12.8 |
| Rice | 1928-29 | 52,680 | 3.5 | R. 50,796; B.I. 1,658 | 3.1 |
| | 1927-28 | 47,020 | 4.4 | R. 46,963 | — |
| Opium | 1928-29 | 28,860 | 1.8 | R. 28,814 | — |
| | 1927-28 | 43,268 | 4.1 | R. 30,569*; G.B. 6,603†; J. 3,686; C. 1,538 | 15.3 |
| Gum tragacanth | 1928-29 | 65,040 | 4.3 | G.B. 23,332†; J. 17,947; R. 12,553*; C. 11,125 | 35.9 |
| | 1927-28 | 14,392 | 1.4 | B.I. 4,043; M. 3,378; R. 2,476; United States 2,090 | 40.2 |
| Prepared hides | 1928-29 | 15,851 | 1.0 | M. 4,241; G.B. 3,617; R. 3,399; B.I. 2,791 | 40.4 |
| | 1927-28 | 14,089 | 1.4 | R. 14,028 | — |
| | 1928-29 | 9,852 | 0.6 | R. 9,671 | — |

APPENDIX V.—*continued.*

| Commodities. | Years. | Value in 1,000 krans. | Per cent. of total. | Chief markets. Value in 1,000 krans. | Share per cent. of British Empire. | |
|-----------------|---------|-----------------------------|---------------------------|---|--|--------------|
| Raw wool | | 1927-28 1928-29 | 13,468 15,616 | 1·3 1·0 | R. 10,131 ; B.I. 2,179 ; M. 1,141 R. 12,171 ; B.I. 3,218 | 16·2 20·6 |
| Sheep casings | | 1927-28 1928-29 | 8,717 12,357 | 0·8 0·8 | G. 2,993 ; United States 2,025 ; T. 1,521 G. 5,688 ; United States 2,280 ; T. 1,837 | 8·2 5·6 |
| Unprepared furs | | 1927-28 1928-29 | 7,955 5,745 | 0·7 0·4 | G.B. 2,619 ; United States 1,537 ; M. 1,007 G.B. 1,880 ; United States 1,042 ; R. 909 | 45·5 37·1 |
| Lambskins... | | 1927-28 1928-29 | 7,643 7,214 | 0·7 0·5 | G.B. 3,537 ; R. 3,207 R. 4,179 ; G.B. 2,501 | 54·8 37·8 |
| Silk cocoons | | 1927-28 1928-29 | 6,398 9,152 | 0·6 0·6 | I. 3,546 ; R. 2,803 I. 6,726 ; R. 2,236 | — — |

Other Persian exports in 1928-29 were (in thousands of krans) :—Other hides 4,550, fish 3,798, raw silk 2,854, raw tobacco 2,623, other gums 2,527, hair 2,285, clothing 2,222, gold manufactures 2,044, natural silk tissues 1,788, live animals 1,699, cotton tissues 1,646, caviar 1,643, etc.

Abbreviations :—G.B.—British Empire (excluding British India), chiefly Great Britain
B.I.—British India.
R.—Russia.
I.—Italy.

F.—France.
G.—Germany.
B.—Belgium.
T.—Turkey.
H.—Holland.

J.—Japan.
E.—Egypt.
C.—China.
M.—Mesopotamia.

*These figures include 27,446,720 krans in 1927-28 and 10,489,300 krans in 1928-29 of opium which is nominally consigned to Vladivostock but which in reality never reaches that port.

†The major part of this opium was shipped on account of the Singapore Opium Monopoly.

APPENDIX VI.

LIST OF IMPORTS IN RESPECT OF WHICH FOREIGN EXCHANGE CAN ONLY BE BOUGHT BY SPECIAL AUTHORITY OF THE CONTROL COMMISSION.

Animals of every kind.

Wood of every kind, including firewood.

Alcoholic drinks, except medical wines.

Coal and charcoal.

Fresh and salted butter, with the exception of preserved butter in small boxes (tins).

Rice.

Wheat, barley, oats and all other alimentary cereals.

Flours.

Bread.

Fruit, fresh and dried.

Fresh milk, including curdled milk.

Fresh vegetables.

Eggs of poultry or of game.

Confectionery of all kinds.

Fresh meat and fresh game.

Clothing, garments and toilet objects of every kind.

Musical instruments and their parts.

Raw cotton.

Silk in cocoons, raw and floss silk and waste silk.

Rugs and carpets of every kind.

Lace work and lace of every kind.

Embroidery and embroidered textures, including spangled tissues or tissues furnished with fancy designs.

Tissues of artificial or pure natural silk of every kind.

Raw tissue and of silk waste.

Photographic and cinematographic apparatus and their accessories.

Games and toys other than instructive ones.

Imitation jewellery.

Playing cards.

Furniture of every kind with the exception of ordinary lamps.

Jewellery and work in precious metals.

Objects of art and of collections.

Perfumery of every kind.

Raw skins dried or salted and skins prepared for furs.

Stones of every kind, including precious stones and pearls.

Crockery and porcelain of every kind.

Perfumed soaps.

Glass and mirrors of every description.

All objects in glass or in crystal with ornaments.

Carriages and vehicles of every description.

APPENDIX VII.

PRINCIPAL ROAD DISTANCES IN ENGLISH MILES.

Taken from the Road Map of Colonel A. F. Morris, Director General of Roads, issued in 1928 by the Road Department of the Ministry of Public Works, Tehran. Distances converted from kilometres into miles at 1,609 m.= 1 mile and brought up to latest records.

| | | | | | Partial. | Total. |
|---------------|-------------------------------------|-----|-----|-----|----------|--------|
| | | | | | (Miles) | |
| <i>Tehran</i> | <i>-Kazvin</i> | ... | ... | ... | — | 90 |
| | <i>-Hamadan</i> | ... | ... | ... | 145 | 235 |
| | <i>-Kermanshah</i> | ... | ... | ... | 118 | 353 |
| | <i>-Kasr-i-Shirin</i> | ... | ... | ... | 112 | 465 |
| | <i>-Khosrovi (Iraq frontier)</i> | ... | ... | ... | 15 | 480 |
| <i>Tehran</i> | <i>-Kazvin</i> | ... | ... | ... | — | 90 |
| | <i>-Zanjan</i> | ... | ... | ... | 112 | 202 |
| | <i>-Mianej</i> | ... | ... | ... | 83 | 285 |
| | <i>-Tabriz</i> | ... | ... | ... | 114 | 399 |
| | <i>-Julfa (Russian frontier)</i> | ... | ... | ... | 82 | 481 |
| <i>Tehran</i> | <i>-Hamadan</i> | ... | ... | ... | — | 235 |
| | <i>-Malayer (Daulatabad)</i> | ... | ... | ... | 54 | 289 |
| | <i>-Burujird</i> | ... | ... | ... | 37 | 326 |
| | <i>-Khuramabad</i> | ... | ... | ... | 73 | 399 |
| | <i>-Dizful</i> | ... | ... | ... | 165 | 564 |
| | <i>-Ahwaz (Nasseri)</i> | ... | ... | ... | 112 | 676 |
| | <i>-Mohammerah</i> | ... | ... | ... | 80 | 756 |
| <i>Tehran</i> | <i>-Kum</i> | ... | ... | ... | — | 93 |
| | <i>-Sultanabad (Aragh)</i> | ... | ... | ... | 84 | 177 |
| | <i>-Malayer (Daulatabad)</i> | ... | ... | ... | 62 | 239 |
| | <i>-Mohammerah</i> | ... | ... | ... | 467 | 709 |
| <i>Tehran</i> | <i>-Kazvin</i> | ... | ... | ... | — | 90 |
| | <i>-Resht</i> | ... | ... | ... | 120 | 230 |
| | <i>-Pahlavi (Enzeli)</i> | ... | ... | ... | 20 | 210 |
| <i>Tehran</i> | <i>-Kum</i> | ... | ... | ... | — | 93 |
| | <i>-Dilijan</i> | ... | ... | ... | 57 | 150 |
| | <i>-Robat-Turk</i> | ... | ... | ... | 20 | 170 |
| | <i>-Isfahan</i> | ... | ... | ... | 99 | 269 |
| | <i>-Shiraz</i> | ... | ... | ... | 312 | 581 |
| | <i>-Kazerun</i> | ... | ... | ... | 71 | 652 |
| | <i>-Bushire</i> | ... | ... | ... | 105 | 757 |
| <i>Tehran</i> | <i>-Firuzkuh</i> | ... | ... | ... | — | 87 |
| | <i>-Aliabad</i> | ... | ... | ... | 67 | 154 |
| | <i>-Sari</i> | ... | ... | ... | 15 | 169 |
| | <i>-Bandar Gas</i> | ... | ... | ... | 61 | 230 |
| <i>Tehran</i> | <i>-Firuzkuh</i> | ... | ... | ... | — | 87 |
| | <i>-Semnan</i> | ... | ... | ... | 52 | 139 |
| | <i>-Damghan</i> | ... | ... | ... | 70 | 209 |
| | <i>-Shahrud</i> | ... | ... | ... | 42 | 251 |
| | <i>-Sabzehwar</i> | ... | ... | ... | 169 | 420 |
| | <i>-Nishapur</i> | ... | ... | ... | 66 | 486 |
| | <i>-Sharifabad</i> | ... | ... | ... | 47 | 533 |
| | <i>-Meshed</i> | ... | ... | ... | 25 | 558 |
| | <i>-Bajgiran (Russian frontier)</i> | ... | ... | ... | 147 | 705 |
| <i>Tehran</i> | <i>-Sharifabad (as above)</i> | ... | ... | ... | — | 533 |
| | <i>-Turbat-i-Haidari</i> | ... | ... | ... | 61 | 594 |
| | <i>-Ghain</i> | ... | ... | ... | 143 | 737 |
| | <i>-Birjand</i> | ... | ... | ... | 66 | 803 |
| | <i>-Duzdap</i> | ... | ... | ... | 285 | 1,088 |
| <i>Meshed</i> | <i>-Sharifabad</i> | ... | ... | ... | — | 25 |
| | <i>-Duzdap (as above)</i> | ... | ... | ... | 555 | 580 |

APPENDIX VIII.

COMPARATIVE SCHEDULE OF TRANSPORT PRICES FOR MOTOR TRANSPORT.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | |
|---------------|------------|---------------------------|---------------------------------|---|--|-----------------------|---------------------------|----|-----|-----|
| From. | To. | Approx. distance in miles | Normal time taken in transport. | Maximum and minimum rates per kharvar Tabriz of 654.64 lbs. | Maximum and minimum rates in shillings per ton of 2,240 lbs. | Average rates in 1929 | Approx. distance in miles | | | |
| | | | | Tomans. | | Shillings. | | | | |
| | | | | Days. | 1928 | 1929 | 1928 | | | |
| | | | | | | 1929 | | | | |
| Bushire | Isfahan | 488 | 6-8 | 28-42 | 36-48 | 400-600 | 422-596 | 40 | 498 | 488 |
| " | Shiraz | 176 | 4-6 | 16-25 | 16-35 | 230-359 | 200-433 | 25 | 313 | 178 |
| " | Tehran | 757 | 8-12 | 55-75 | 40-70 | 784-107 | 498-873 | 50 | 622 | 757 |
| Duzdap | Meshed | 580 | 4-8 | 18-25 | 12-18 | 259-359 | 149-225 | 15 | 185 | 580 |
| Isfahan | Tehran | 269 | 3-5 | 7-13 | 5-12 | 100-188 | 72-149 | 10 | 124 | 269 |
| Kasr-i-Shirin | Kermanshah | 112 | 1-2 | 6-8 | 4-6 | 88-113 | 55-76 | 5 | 62 | 112 |
| Kermanshah | Tehran | 353 | 3-5 | 17-25 | 10-20 | 242-359 | 124-251 | 13 | 175 | 353 |
| Mohammerah | " | 756 | 8-14 | — | 25-45 | — | 313-560 | 30 | 375 | 756 |
| Pahlavi | " | 230 | 2-3 | 13-20 | 7-12 | 188-290 | 87-149 | 9 | 113 | 230 |
| Shiraz | Isfahan | 312 | 2-4 | 15-24 | 13-18 | 213-342 | 164-225 | 15 | 185 | 312 |
| " | Tehran | 581 | 4-8 | 23-40 | 18-40 | 330-576 | 225-498 | 25 | 313 | 581 |
| Tehran | Bushire | 757 | 8-12 | 20-30 | 18-30 | 290-430 | 225-374 | 24 | 298 | 757 |
| " | Kermanshah | 353 | 3-5 | 9-12 | 7-10 | 129-171 | 87-124 | 8 | 98 | 353 |
| " | Meshed | 558 | 4-6 | 18-35 | 16-30 | 259-500 | 200-374 | 23 | 291 | 558 |
| " | Mohammerah | 756 | 8-14 | — | 16-30 | — | 200-374 | 20 | 251 | 756 |
| " | Pahlavi | 230 | 2-3 | 3-5 | 2-3 | 42-71 | 33-44 | 3 | 36 | 230 |
| " | Tabriz | 399 | 4-6 | 14-20 | 12-18 | 200-288 | 149-225 | 15 | 185 | 399 |

Note.—Rates on the Bushire-Isfahan road were abnormally high in 1929 owing to tribal risings.

1927 £1=48 krans; 1928 £1=48 krans; 1929 £1=55 krans; 1 toman=10 krans; kharvars 3,425=1 ton=2,240 lbs.

APPENDIX IX.

JUNKERS AIR SERVICE, PERSIA : FLIGHT AND PRICE SCHEDULE.

| Between. | Weekly trips. | Travel time by road. | Travel time by air. | Road distance. | Passenger fare. | 1 kilo merchandise or baggage. |
|--------------------|---------------|----------------------|---------------------|----------------|-----------------|--------------------------------|
| Tehran-Baghdad | 2 | 3-4 | 7½ | 600 | 75 | 0.75 |
| „ -Baku | 1 | 2 | 8 | — | 65 | 0.65 |
| „ -Bushire | 2 | 3-5 | 8 | 757 | 80 | 0.80 |
| „ -Hamadan | 2 | 1 | 2½ | 235 | 30 | 0.30 |
| „ -Isfahan | 2 | 1 | 2½ | 269 | 30 | 0.30 |
| „ -Kermanshah | 2 | 1½ | 4½ | 353 | 40 | 0.40 |
| „ -Meshed | 1 | 2-3 | 6 | 558 | 55 | 0.55 |
| „ -Pahlavi | 1 | 1 | 2 | 230 | 30 | 0.30 |
| „ -Shiraz | 2 | 2½-3 | 6 | 581 | 60 | 0.60 |
| Baghdad-Hamadan | 2 | 2-3 | 4½ | 365 | 55 | 0.55 |
| „ -Kermanshah | 2 | 1½-2 | 2½ | 247 | 40 | 0.40 |
| Baku-Pahlavi | 1 | 1 | 3 | — | 35 | 0.35 |
| Bushire-Isfahan | 2 | 2-4 | 5 | 488 | 55 | 0.55 |
| „ -Shiraz | 2 | 1-2 | 1½ | 176 | 28 | 0.28 |
| Hamadan-Kermanshah | 2 | ½-1 | 1½ | 118 | 15 | 0.15 |
| Isfahan-Shiraz... | 2 | 1-2 | 3 | 312 | 35 | 0.35 |

REPORTS by H.M. Trade Commissioners, Commercial Diplomatic and Consular Officers on commercial and financial conditions in the following countries, issued, or in course of preparation, by the Department of Overseas Trade:—

A.—During the year 1929.

| | | | | | | | |
|------------------------------|-----|-----|--------------------|-------------------------|-----|-----|--------------------|
| Angola | ... | ... | 1s. 0d. (1s. 0½d.) | Germany | ... | ... | 3s. 6d. (3s. 8d.) |
| Argentina | ... | ... | 3s. 0d. (3s. 2d.) | Italy | ... | ... | 3s. 0d. (3s. 2d.) |
| Belgium | ... | ... | 4s. 6d. (4s. 8d.) | Japan | ... | ... | 3s. 0d. (3s. 2d.) |
| Bolivia | ... | ... | 1s. 6d. (1s. 7d.) | Latvia | ... | ... | 9d. (9½d.) |
| Brazil | ... | ... | 3s. 6d. (3s. 8d.) | Netherlands East Indies | ... | ... | 3s. 0d. (3s. 2d.) |
| British Malaya | ... | ... | 3s. 0d. (3s. 2d.) | Nicaragua and Guatemala | ... | ... | 1s. 6d. (1s. 7d.) |
| British West Indies | ... | ... | 2s. 6d. (2s. 8d.) | Norway | ... | ... | 2s. 0d. (2s. 1d.) |
| Canada | ... | ... | 3s. 0d. (3s. 2d.) | Persian Gulf | ... | ... | 1s. 3d. (1s. 4d.) |
| Czechoslovakia | ... | ... | 1s. 6d. (1s. 7d.) | Philippine Islands | ... | ... | 1s. 0d. (1s. 0½d.) |
| Denmark | ... | ... | 1s. 6d. (1s. 7d.) | Poland | ... | ... | 1s. 6d. (1s. 7d.) |
| Dominican Republic and Hayti | ... | ... | 1s. 0d. (1s. 0½d.) | Roumania | ... | ... | 1s. 6d. (1s. 7d.) |
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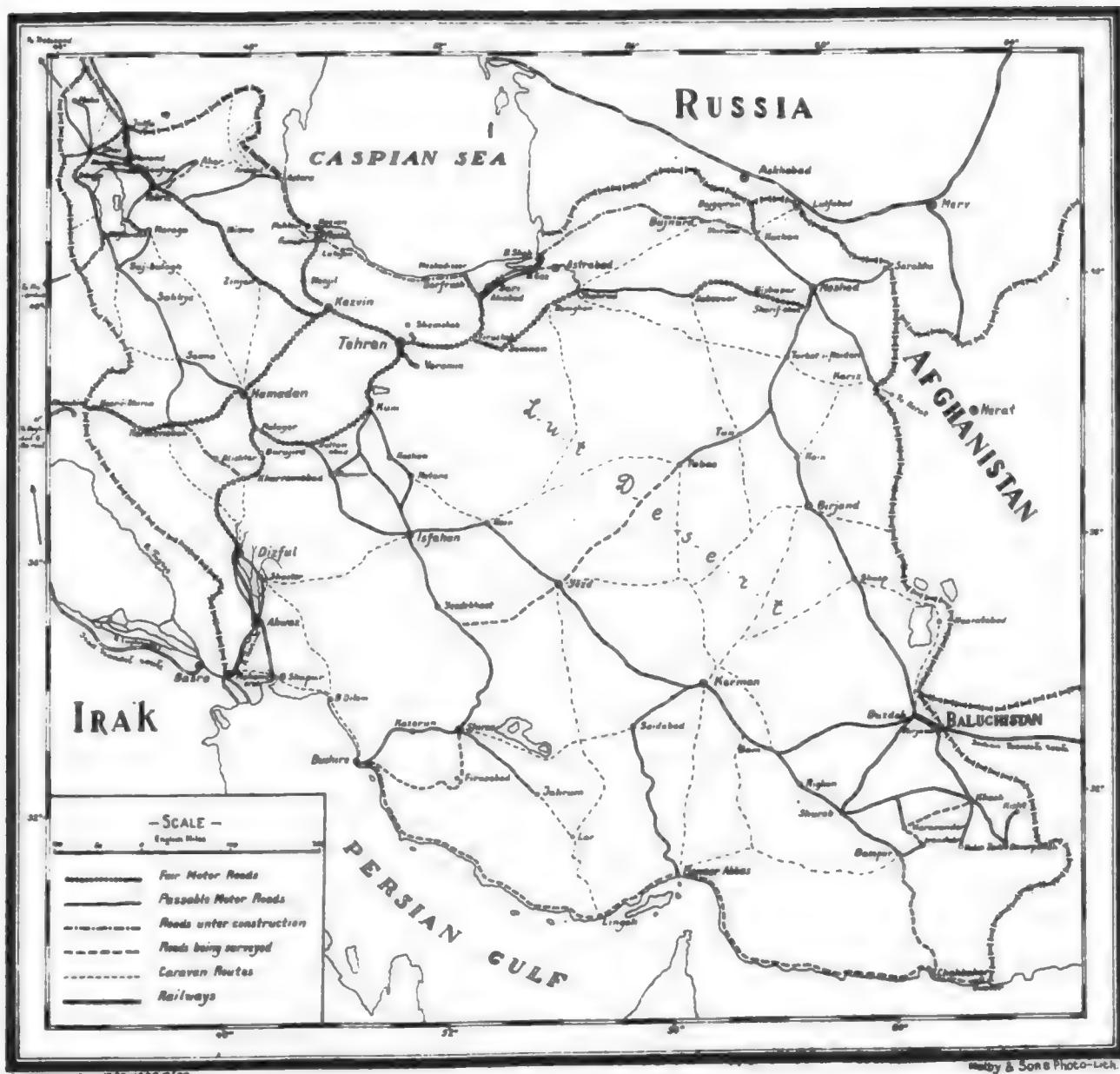
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NOTE

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391 • 50 / 27

INDEX BUREAU

REGARDING: Report concerning political and economic conditions in Azerbaijan.

四

Teheran, Persia.

September 16, 1930

Subject: POLITICAL AND ECONOMIC CONDITIONS IN AZERBAIJAN

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON

Sir:

I have the honor to report that on my recent visit to Tabriz for the purpose of closing the Consulate at that place, I had an opportunity of making a very brief survey of political and economic conditions in the province of Azerbaijan which, it is thought, may prove of interest to the Department. The results of my observations, in summary, would seem to indicate that the populace if not actually in a state of unrest is at least openly discontented and it is the opinion of many residents that should the present government's stability ever be seriously threatened the movement would receive immediate impetus from Tabriz and the vicinity.

The principal cause of complaint at this time, outside of the stagnation in commercial circles, which is affecting the country as a whole, appears to be what the average person regards as over-burden-some taxation. High taxes form a leading topic of discussion, and despair seems to be mixed with resentment that the government should, allegedly, take away practically everything which it is possible for the individual to earn. Realisation of the futility of attempting

to make progress under present conditions is, in my mind, partly responsible for the growing apathy noticeable in producers of Persian commodities which is everywhere hindering the development of Persia's export trade and which is particularly apparent in the Azerbaijan district. Resentment is further accentuated by comparison of the manner in which army officers are enabled to live with the general poverty of the inhabitants.

Coupled with the antagonism aroused by the current government taxation program is the oft-repeated charge that the Financial Agency of Azerbaijan is not only inefficient but corrupt. The present Provincial Director of Finance bears the brunt of these charges, which if not proclaimed from the house tops are nevertheless conspicuous in any general discussion of the situation. It is a common remark that those responsible for the departure of the Millspaugh Mission were traitors to Persia, and even those who formerly favored the dismissal of the Americans are now admitting that they were mistaken. Indicative, in fact, of an increasing sentiment for American financial administration, I repeatedly encountered the naive conviction that Dr. Millspaugh had already been invited by the government to return and that not many months would elapse before his arrival in Persia.

Although such views are more cautiously expressed, there would also seem to be an undercurrent of hostility to His Imperial Majesty Reza Shah Pahlavi. Never really popular in Azerbaijan, His Majesty is not held in respect among the inhabitants of Tabriz; one of the reasons advanced for this is that he is not of noble parentage, which forms an interesting commentary on the future of democracy in Persia. In spite of this, however, it is feared in many quarters that should the throne be vacated through death or other causes, conditions would be even worse than during the Kadjar dynasty.

Economically

Economically, Azerbaijan is suffering like the rest of Persia, but the discontent here is emphasized by commercial difficulties with Russia. The Soviets, it is charged, under their barter agreement with the Persian Government sell only cheap manufactured goods, such as glass, hardware, etc., which the merchants of Tabriz are unable to absorb, and refuse on the other hand to buy Persian products such as raisins, which form a leading export of Azerbaijan. Moreover, the Russians are curtailing, or selling at advanced prices, the amount of sugar which Persia has been accustomed to buy from them and which is an important item in Persian trade.

In the short space of time I remained in Tabriz, there appeared to be little information regarding the Kurdish troubles which is not already known in Teheran. Some apprehension, however, as to the extension of these troubles was noticeable in the temporary removal to Tabriz of American Lutheran missionaries stationed at Soughbulak, not far from the seat of operations. In regard to the death of Sinko, notorious Kurdish leader, at the hands of government forces, the reaction among most people was to make them rather ashamed and apologetic at the method by which he met his end. Even though his depredations were feared, he maintained something of an heroic quality in the average person's mind, and the nature of his death aroused no popular applause even in the districts where he was best known.

In conclusion, I might mention the most noteworthy development which has recently taken place in Tabriz, namely the striking extension of German influence in that city. An influx of German doctors and businessmen has attracted considerable attention, while the present German Consul at Tabriz, who has apparently substantial means at his disposal, is constantly strengthening German-Persian

relations

relations by putting on a great deal of "show", by means of expensive automobiles and lavish entertainment. On the whole, this procedure seems to meet with a very favorable reception by the Persians, who are inclined to think highly of all representatives of the Fatherland with whom they come into contact.

Respectfully yours,

A true copy of
the signed origi-
nal.


Henry S. Willard,
American Vice Consul in Charge

800/850
HSV/MHA

DOCUMENT FILE

NOTE

SEE 891.5151/53 FOR Report #100

FROM Tehran (Villard) DATED Jan. 29, 1931
TO NAME 1-1127 696

REGARDING: Foreign exchange situation and economic conditions.

391 . 50/28

71

CONFIDENTIAL

ECONOMIC DEVELOPMENTS IN PERSIA

From American Vice Consul in Charge

▲ true copy of
the signed origi-
nal.

Henry R. Gallard

Teheran, Persia.

Date of Completion: January 29, 1931

Date of Mailing: January 31, 1931

Although many merchants had believed that modification of the exchange regulations was near in Persia, a tendency has been noticeable on the part of the Control Commission to tighten even further the restrictions affecting the importation of foreign goods. By virtue of Article 6 of the Supplementary Law of July 22, 1930, calling upon the Customs Administration to examine permits for the purchase of exchange before releasing any article on the so-called blacklist, customs officials are in most cases refusing to clear shipments without the written authorization of the Control Commission, whether a permit for the purchase of exchange accompanies the shipment or not. Thus an

importer

importer who has privately been successful in obtaining the necessary exchange to pay for his orders finds that he cannot secure delivery of the goods since his exchange was not obtained from authorized sources. As the banks are not selling exchange, even on presentation of a permit, it would seem that importers are confounded on every hand.

The principal articles to be influenced by this literal interpretation of the law are motor vehicles, though all goods classed as luxuries are similarly affected. Passenger cars and trucks from the United States are finding their way into the country only in exceptional instances, while the market for other American products, except tires and spare parts, is virtually closed. Although the authorities decline to consider the Control Commission's permit in terms of a special import license, nevertheless it amounts to such and only the fact that in certain cases it seems more readily obtainable than in others prevents a clear-cut embargo being held to exist for the articles on the original prescribed list.

Exchange situation.

Exchange is no longer sold by the banks even in limited amounts, and special pleas by the Consulate in behalf of importers of American goods fall upon deaf ears. It is, however, unofficially obtainable in the bazaars in fairly large quantities at a rate which at the moment hovers between rials 17 and rials 19 to the dollar. In spite of the fact that the prevailing world price of silver should make this rate nearer 26, a lessened demand has left the bazaars well supplied with exchange but with few buyers. The winter is always a slack season in Persia, and this coupled with the heavily curtailed import trade and a fear in some quarters that the Government might confiscate superfluous exchange, has naturally slowed up operations on the "Black Bourse".

There seems little doubt, however, that the Imperial Bank of Persia

has

has a good deal of exchange which it could part with should it choose to do so. In fact the Persian Government appears to have counted rather heavily on the prospect, and the inflexible attitude of the bank in this respect has caused some concern in official circles. There is, for instance, the £ 200,000 which the Persian Government had bound itself to pay the bank before March 21, 1931, in return for the latter's surrender of its bank note concession. This sum has, according to bank officials, been paid in full in pounds sterling, and is now on deposit in London. But the bank apparently has not the slightest intention of throwing on the market either that or any other sum of exchange it does not have to at the ruinous "legal" rate of Trans 60 to the pound (12.35 to the dollar) when the economic value of silver is declining more and more every day.

Position of Imperial Bank.

Although the terms of the agreement dated May 13, 1930, between the Imperial Bank and the Persian Government specified that the current toman bank notes were to be retired by June 22, 1931, it is an open secret that the bank is not going ahead with this step due to a specific request of the Government that it refrain from doing so for the present. This of course leaves the bank in a state of uncertainty as to its own immediate status with respect to the paper currency, and its officials do not conceal their interest in the plans for new notes presumably to be printed by an American company. Meanwhile, the scarcity of paper, which has always existed in some degree, together with the prevalent hoarding and smuggling, has left so large a proportion of silver krans as the circulating medium that it is not unusual to find business men hiring carriages or porters to transport the weighty sums involved in their transactions.

. There is one block of exchange, furthermore, which the Imperial

Bank of Persia is under an unwritten obligation to sell to the Government and which it would no doubt be glad to keep or to sell in accordance with its own desires. Every month the Anglo-Persian Oil Company sells between £ 80,000 and £ 100,000 in Persia, though because of lessened expenditures by the company this sum has of late dwindled to about £ 60,000. One half is sold to the National Bank and one half to the Imperial Bank, at the government-established buying rate of Krans 59.50 to the pound. The banks in turn sell this exchange to the Government at the "legal" selling rate of Krans 60, thus making a small legitimate gain. In the case of the National Bank, there is little distinction between that organization and the Government itself, but the Imperial Bank follows this course through realization that the Government would otherwise force the Anglo-Persian Oil Company to sell its exchange direct.

Thus the Anglo-Persian Oil Company, because of the important political stake it holds in the country, is losing every month thousands of tomans by selling its exchange at the "legal" rate instead of receiving the benefit of the far more profitable bazaar, or "boot-leg", quotation. There is every reason to suppose, in fact, that the chief motive of the Government in keeping the Kran at the absurd rate of 60 to the pound is to obtain this substantial amount of foreign exchange on exceedingly disadvantageous terms, since even the Shah's opposition to a change in the rate could most likely be overcome by the proper arguments. Until enough pressure is brought to bear, therefore, it does not seem probable that any alteration will take place. The private comment of Mohammed Ali Foroughi, acting Minister of National Economics, just before he surrendered this office a few days ago to devote himself wholly to his duties as Foreign Minister, was simply that it was a very difficult question and that nothing definite could be answered on the subject.

prospects for the gold standard.

While no official pronouncement has yet been made, it is now tacitly understood that adoption of the gold standard has been postponed until the latter half of the Persian year 1310 (March 21, 1931 to March 20, 1932). It is even a matter of doubt with some persons whether the year 1932 will see the silver kran wholly displaced by gold-secured rials. To purchase the necessary gold cover with krams, the arbitrary rate of which is 60 to the pound and the bullion rate about 130, someone has to lose. Reference is constantly made to Anglo-Persian oil royalties on deposit in Europe, the contemplated sale of a match or tobacco monopoly, and the probable quiet accumulation of exchange in the country itself, but it is extremely problematical whether any such reserves are adequate for the change from one monetary standard to another. More than anything else, it looks at present as if the kran would be depreciated in the process to its bullion value, now less than one half the government valuation, which would leave the already uneasy public holding the bag.

Only the fact that Persia has a small public debt and is unencumbered by foreign bond issues keeps the future from appearing blacker. As it is, the country has a certain fundamental soundness which offers a good base to build upon, but unless advantage is taken of this by a capable economic engineer there are undoubtedly hazardous moments ahead. A move, at any rate, in that direction is seen in the reported engagement of Mr. Charles Clavier, Belgian government expert, as financial adviser to Persia, taking the place of the recently-departed Mr. Otto Schniewind, German financial and economic adviser to the Persian Government. Unless the new apointee enjoys plenary powers, however, it is doubtful whether anything substantial will be accomplished by his presence.

Comptoir Francais goes out of business.

Of considerable significance at this time is the retirement from business of the Comptoir Francais, one of the oldest foreign commercial houses in Persia and for some 40 years a leading source of supply for Teheran's foreign population. Unable to procure exchange for remittance abroad, the proprietor of this establishment has in the last several months seen his stocks go unreplenished and his difficulties multiply to the point where bankruptcy threatened. His decision to withdraw will doubtless cause not only widespread regret but inconvenience to those who were accustomed to buy their household goods from this firm, especially such articles as china and glassware of standardized pattern.

It is rumored that this is but the forerunner of similar action on the part of other foreign stores in Teheran, which find it impossible to carry on under the exchange restrictions and are, moreover, confronted by a seriously diminished demand. Some estimates place the business transacted at this time as but 20 or 30 per cent of a year ago. Trade in the bazaars is stagnant as well and discouragement is everywhere noticeable.

American importations.

Importers of American goods, besides being faced with the task of finding exchange, are not always able to pay the current "bootleg" price for dollars because they have in many cases sold their goods at a lower figure than would be warranted by the purchase of dollars at the high "bootleg" rate. Most American sellers of dollars, including the American (Presbyterian) Mission, are now fully aware of the rate obtaining in the bazaars, and refuse to sell their drafts, checks, or currency at any but the topmost figure. In seeking to aid importers of American goods, it is often very difficult for the Consulate to ad-

Just the price at which these sellers are willing to dispose of their dollars with the figure at which such importers are able to buy. It has been found with sellers of dollars that appeals to patriotism as a rule are outweighed by the prospect of additional krans.

In one respect the situation is slightly improved, in that the banks now make available to a designated buyer 90 per cent of any exchange they receive from a seller of exchange, reserving only 10 per cent for the government coffers. On checks from members of the diplomatic corps, they are allowed to sell 100 per cent.

One of the methods employed by firms with branches in Iraq or Syria is to have such branches effect payment on their behalf; the goods are then sold for krans and the funds accruing are used to buy Turkish gold pounds, a plentiful supply of which seems to exist in the bazaars. This gold is then either left on deposit in the banks, or is smuggled out of the country.

While the Consulate cannot yet see its way to modifying the recommendation contained in its telegram of June 4, 1930, wherein American exporters were advised to cease all shipments to Persia pending the amelioration of present conditions, it should nevertheless be recognized that exchange does exist in the bazaars and that many importers by raising their prices to the economic value of the kran, are able thus to buy the necessary dollars to pay for their orders. Although merchants are in some cases carrying on transactions under these circumstances, there are others who declare their inability to liquidate drafts drawn upon them owing to the refusal of the banks to sell exchange. It is not always easy to know when importers are taking advantage of the situation to evade their obligations, since the daily sale and purchase of exchange on the "Black Bourse" is a matter of common knowledge. Naturally, however, pressure cannot be brought by the Consulate upon importers

thus

thus to go contrary to the law.

Until the situation improves, it cannot be emphasized too strongly that American exporters should receive payment in full before shipping goods to Persia.

850
H&V/MIA

Sources: Tehran press and interviews with Government officials, bankers and merchants

DOCUMENT FILE

NOTE

SEE 800.503191/2 FOR \$350

391.50 / 29

REGARDING:

Statement of the Shah and newspaper comment concerning the need of foreign capital in Persia in connection with proposed economic reforms.

四

No. 360.

Teheran, Persia,
February 5, 1931.

Confidential

The Honorable
The Secretary of State,
Washington.

Sir:

In receiving the deputies in audience on February 2, at 4 o'clock, as has been his custom to do every Monday for several years, I have the honor to report that the Shah took advantage of the occasion to elucidate in slightly more detail than before his ideas regarding the much talked about reforms, mainly of an economic character. His address shows the Shah to have been thinking seriously on the question. I am impressed that for a man who has never been outside of his own oriental bailiwick he has developed a

vision

vision that speaks well for his intelligence.

"There are two categories of reforms", he began, "one rapid and temporary, and the other much larger which will lead to salient changes in the economic conditions of the country.

"Temporary and minor reforms, such as the installation of small factories, construction of dams, agricultural improvements, encouraging and enhancing exports", he continued, "may be achieved with the savings made in the budget of the Empire.

"Larger and essential reforms, including the exploitation of mines, construction of big dams and irrigation of lands cannot be achieved with small capital. In order to be able to realize this important aim we must invite foreign capital, we must encourage foreign capital to come to our country."

The press commented extensively on the Shah's speech.

"In the old days when there was no order in the country", remarked the IRAN, "no foreign capitalist dared to invest his money here. If certain European Powers offered to put their capital in Persia, they demanded important political considerations. Now that Persia has undergone political and economic evolution like European Powers, it goes without saying that even far-away capitalists will be prepared to utilize their capital here in order to make a profit.

"We will need millions for the exploitation of our copper mines in Karadagh (Azerbaijan), and other mines, northern oil fields, and the same if we should like to construct the Karoun and Gorganroud dams.

"Colossal capital will be required if we decide to start a big tobacco institution. We will need millions for each task, perhaps not less than ten to twenty million tomans for each. Hence it is impossible to achieve results without recourse to colossal European and American capital. In order to raise the budget of the Empire from 25,000,000 tomans to 250,000,000 tomans, which is the minimum budget of any Government, we must embark on measures which would effect a complete volte-face in our economic affairs.

"With our present exports of dried fruits and rugs", concluded the IRAN, "we should not expect to do any better. Once we start to exploit our copper, oil and other resources, the Customs statistics will place the figure of our exports at 500,000,000 tomans instead of 50,000,000 tomans. It is through such measures that foreign capital and foreign customers for our products might throng the country. It will be then and not until then that there will be work for the millions of people who have remained unemployed in this country. Thus it may become possible to revitalise national activity and life."

The SHAFAGH-I-SORKH of February 3 editorially commenting on the Shah's remarks, said:

"The question of the invitation of foreign capital for economic improvements as was alluded to by His Majesty is in our opinion the most important problem of the day and the sole panacea for the economic crisis.

"We were surprised that no mention of it was made in the program which the Government presented to the Medjliss. Now it appears that this point has not escaped royal attention."

The ETTELLA'AT in the evening of January 5, 1931, carried the following quotation from the Shah in regard to the Government's failure to submit a detailed program:

"If the Government has not mentioned in detail the measures it is contemplating, it is because it does not believe in ostentation. The Government is, in principle, of the opinion that progress may be achieved gradually and mildly. One of the things which receives the Government's special attention is the completion of the railway. The Government should endeavor to complete the railway. Hence the Medjliss and the Government have a big task before them for the achievement of which they should put in joint efforts."

The reference to the need of foreign capital and the announced readiness to invite investment in Persia is interesting as showing that while Persian officials and publicists in one breath are carrying on a noisy crusade against foreigners in the country, they are in another breath begging foreign assistance in developing the country's resources.

It may therefore be concluded that, like the ravings of Mussolini, much of this challenging of outsiders is for home consumption or, like the celebrated speech-making of the late Felix Walker of North Carolina,

they

- 8 -

they are "talking for Bullecombe."

Respectfully yours,

Charles C. Hart.

CCH/T.

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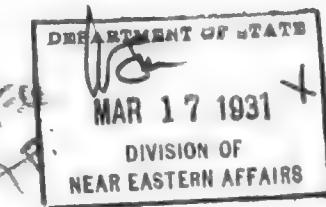
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Teheran, Persia,

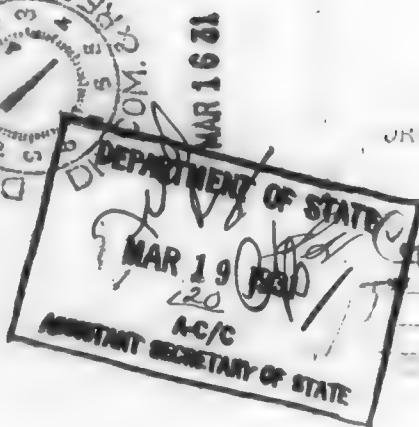
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February 9, 1931.

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MAR 21 1931

MAR 23 1931
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The Honorable

The Secretary of State,

Washington.

Sir:

Not for publication.

I have the honor to report that the SETAREH'YE-DJHANE (Teheran) on February 5, commenting on the Shah's speech to the Deputies mentioned in my despatch No. 350 of February 5, 1931, undertakes to show that as in comparison with the economic conditions in the United States Persia is now enjoying exceptional prosperity.

"Those who are conversant with the critical economic conditions of the world at large are surprised

to

"to see how Persia is doing well and taking rapid strides towards economic reforms. One hears the news of the organization of an industrial and commercial firm in a different town of the country every day. The people have embarked on great enterprises in the North, South, East and West. Capitalists are utilizing their capital right and left. On the whole you see everybody in Persia inbued with a spirit of joy and confidence.

"The United States, which is considered the world's wealthiest land from the standpoint of gold reserves, is suffering unbearable difficulties. Many extensive banks go bankrupt there every day, whereas Persia with her silver standard and violent and rapid fall of the price of metal, which has lost half its purchasing power in the world markets, is, nevertheless, setting up new establishments, buying factories, constructing railways, developing her industries and improving her agriculture.

"While everywhere unemployment is assuming a serious aspect", continued the editor, E'tessam-Zadeh, "unemployed Persians who were until a few years ago an unsurmountable burden to the country are now finding new work. If the aliens are unaware of the cause of this amazing difference, the natives know that it is solely the inflexible will and iron-clad decision of the person of the Shah that is leading the country in this economic up-heaval."

It will be interesting to observe what the Persian press and public think two years from now
of

of the present prosperity which consists mainly of mere boom proposals for the building of industrial plants here and there without investigation as to whether this or that factory location is suitable for the particular industries.

There are many lessons to be learned from the industrialization of the United States about which the Shah and his industrial leaders know nothing. It is within the memory of a generation of Americans living today that cities and town all over the United States in the period extending from 1870 up into the present century believed that a factory could succeed anywhere. As a consequence lands were donated and subsidies contributed in large amounts for what was termed the "locating" of factories.

Many of these plants failed before they reached the operating stage and others ran only long enough to collect subsidies which were dispensed under a deferred payment plan. I think this is the most interesting aspect of the visionary Soviet industrial plan because many of the large plants constructed in the last two years have been given doubtful locations.

Just why certain lines of industry will thrive at certain points in the United States and almost invariably fail in others not even the experts can say. For example, the automobile industry is at its best only in Detroit while only a relatively few of the plants located elsewhere have survived. An effort was made to build up an automobile industry

at

Not for publication

at Indianapolis which would rival Detroit. The record result has been 90 per-cent of failures.

I do not believe that Persia's experience will be any more satisfactory than that of other countries which have taken years to industrialize.

Respectfully yours,



Charles C. Hart.

DOCUMENT FILE

NOTE

SEE 891.55/21 FOR Report # -

REGARDING:

Economic Conditions in Iran.

Economic deterrents to immigration into Iran (a) pastoral and agricultural and (b) industrial ;- Submits report on the -, pointing out difficulties confronting immigrants in finding free land, or cultivating land held by the tribal community. Also on the lack of work in industrial mines.

1

ECONOMIC DETERRENTS TO IMMIGRATION

The chief economic deterrents to immigration are:

- a) Iran is a pastoral and agricultural state. There is no free land. The people who live on the land are tribesmen or serfs who are very clanish. Thus it is impossible for the poor immigrant to come to Iran and find free land which he can settle upon and work himself. It is equally impossible, due to the clanish character of the rural population, for the immigrant to hope to cultivate land held by the tribal community as a renter and later become absorbed by the community.
- b) In the cities where the beginnings of an industrial life are now becoming evident the immigrant cannot work upon a competitive basis with the local laborer, who is accustomed to live on a scale only slightly above the subsistence level. Moreover, in the cities,

there

there is an adequate supply of local labor and local labor is given the preference by Iranian builders and manufacturers in those rare instances where there is a choice at the same pay scale between local and immigrant labor.

c) Iran is an Islamic country and it has the name of being a reactionary state. Although much progress has been accomplished under the enlightened leadership of Reza Shah Pahlavi, the Iranians are fundamentally reactionary and fanatical. Thus a free Iran obviously offers scant refuge, where it is possible to earn a livelihood, for any persons, or groups of persons, who have been obliged to leave the country of their regular residence in order to escape intolerable conditions.

GROUP MOVEMENTS IN THE LAST THIRTY YEARS

a) Some five thousand white Russians fleeing from the Bolsheviks entered Iran between 1917 and 1920. This group did not form a new element in the population but only reinforced the number of Russians that had been settling in the northern provinces of Iran since the Russian economic penetration of northern Iran first began in the mid-nineteenth century. The newly arrived Russians were absorbed by existing Russian communities.

b) Approximately two thousand Italian laborers were brought in 1934 and 1935 to Iran by Italian contractors to work upon the Trans-Iranian railway. The most of these people are expected to leave Iran when the special work for which they came is completed.

c) Some thousands of Iranians have returned to Iran from Turkey since 1932. The cause of this movement

ment can be found in a Turkish law of that date which reserved for Turkish nationals the right to work at certain named trades and professions in Turkey. As most of the Iranians resident in Turkey gained their livelihood by following the trades enumerated in the law, there were group migrations of Iranians from Turkey to Iran when this law became effective.

DOCUMENT FILE

NOTE

SEE 846b, 6363/91 FOR Despatch #475

FROM Karachi (Greeninger) DATED June 19, 1935
TO NAME 1-1187 ...

891 . 50 / 32

REGARDING: Economic affairs- Persia. It is learned in Bahrein that the Persian migration was due to the severe economic depression and heavy taxation in Iran, but of opinion that another powerful reason is escape from military service.

On the other hand, there is a continual influx of Persians into Bahrein, and as the islanders are Sunni Arabs and the Persians are Shiabs, religious and educational difficulties arise. One learns in Bahrein that the Persian migration was due to the severe economic depression and heavy taxation in Iran, but my visit to Iran induces me to think that another powerful reason is escape from military service. Some of the immigrants are former Bahreinis.

fp

DOCUMENT FILE

NOTE

SEE 891.5034/21 FOR #575

FROM Iran (Hornibrook) DATED Sept. 18, 1935
TO NAME 1-1137 spa

3
C
REGARDING: Economic regime which is being developed is one of the most significant features of the Iranian economic scene of the present. Form which it is taking is the supreme effort of Iran to adjust its economic structure to the growing economic pressure of the Soviet Union.

Wi

891.50/33

DOCUMENT FILE

NOTE

SEE 891,001 P 15/127 FOR #758

FROM Iran (Merriam) DATED April 9, 1936.
TO NAME 1-1137 e.p.e

REGARDING:

Economic conditions - Iran. The Shah's economic program is being pressed to such a degree that Iran is under heavy strain. People believe that the country is riding for a fall.

891.50/ 34

02.153



**LEGATION OF THE
UNITED STATES OF AMERICA**

Teheran, December 23, 1936.

No. 956

Subject: Economic Conditions in Iran.

6
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DEPARTMENT OF STATE
1937 JAN 21 PM 3 17
A.C.C.
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89 | • 50 / 35

DIVISION OF
TRADE AGREEMENTS
TA
FEB 12 1937

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

[I have the honor to report that increasing concern is being expressed by European observers in Teheran over economic conditions in this country. It is hardly possible for anyone to express this feeling in concise terms for several reasons:

1

1. The budget, as published, is incomplete.
2. It is not known how close the Government comes to abiding by the budget, even in its incomplete form.
3. The probable inaccuracy of the foreign trade figures.
4. The lack of adequate statistics, accurate or inaccurate, relating to the economic life of the country.
5. The impossibility of voicing criticism, which in turn prevents the possibility of a fair statement and public examination of the problems in hand.

Certain unhealthy conditions have been noted by observers for some time past. Their effects are cumulative rather than the reverse. Among them may be mentioned:

1. Overtaxation.
2. Concentration of money and persons in Teheran; the draining of the rest of the country and its consequent impoverishment is something which immediately strikes travelers in the provinces.
3. A slight rise in the cost of foodstuffs has occurred. The prices of imported goods have always been extraordinarily high; in many instances they have now become simply shocking.
4. Relatively huge expenditures on railway construction and upon many other projects, most of which involve heavy importations from abroad and considerable payments to foreign personnel and experts.

There is now said to be a serious shortage of foreign exchange, though it appears not to be known whether this condition is temporary or not. In the absence of reliable figures, the best index to developments appears to be the exchange quotations at Baghdad, where the free market rate is now said to be 115 rials to the Pound Sterling, as against the forced Teheran rate of 80.5.

891.5151
7-151

The time element is the most difficult to judge. When official foreign exchange quotations were imposed last spring, many persons apparently well qualified to judge gave the system of forced exchange values a life of three months. Recently a conservative foreign banker expressed to me the opinion that we could look for an exchange crisis requiring action within six months.

The question arises as to the paths that would be open to the Government in the event that present difficulties become more pronounced. On the assumption that their cause lies in the excess of imports over exports and a consequent inability to find sufficient foreign exchange to pay for the former, the solution would appear to lie in diminishing imports, which would in turn require slackening the pace of construction and reconstruction, or a temporary solution could be found in a foreign loan.]

STRICTLY CONFIDENTIAL

891.51
The Commercial Secretary of the British Legation, Mr. Sidney Simmonds, is of the opinion that, from the way things are going, a foreign loan will be required, and that the British Government will furnish such a loan if sufficient guarantees are given. Such guarantees might include earmarking the receipts of the Iranian Government from the Anglo-Iranian Oil Company, customs receipts, or other guarantees. It may be assumed that though the British Government would see to it that ample security were provided, the economic grip which that Government would secure upon Iran in the event of such a loan, carrying with it a stronger voice in political matters,

would

would make a loan thoroughly worth while from the British point of view, even if all the financial aspects were not completely satisfactory. The British, accordingly, as Iran flounders into increasingly deeper water, view developments with something approaching perfect equanimity, particularly, perhaps, as Russia would appear to be well occupied with Germany and Japan.

END OF STRICTLY CONFIDENTIAL AND CONFIDENTIAL.

[The situation as it is developing is already having direct effects on business. Representatives of American manufacturers coming to this country to sell automobiles or automobile equipment now find themselves confronted by the automobile monopoly. The monopoly asks for credit. Some of the factors which the representative has to bear in mind follow:

991.797
691.116 (u) to

1. The Monopoly is new and untried, and gives every indication of being inefficient.
2. If terms are granted, there is a likelihood that owing to shortage of exchange, or for other reasons, the manufacturer will not be paid.
3. Being convinced that the only safe way to do business is on the basis of an irrevocable letter of credit, the representative feels that if he insists he will lose the business to others, forfeit the good will of the Monopoly and possibly his place in the market, which it would be particularly desirable to keep, in the event that the Monopoly goes to pieces later on.
4. In order to protect his diplomatic position, so to speak, he is strongly inclined to pass the decision on to his principals in the United States. However, if he gives them a true and complete picture of conditions, the good will of the Monopoly is lost anyway, as his telegrams will be read by that organization. If he does not give such a picture, his principals have insufficient information on which to base a decision.

5. His situation is complicated if unpaid drafts are involved. For while he may wish to get the drafts cleared up and withdraw completely until the situation is clearer, the Exchange Commission, probably acting on the advice of the Monopoly, will not provide the exchange unless the agent contracts for further business.

6. Indications are not wanting that the British hope to take advantage of the situation to break the hold on the market of American manufacturers, by granting more favorable terms, in the knowledge that if worse comes to worst, the proceeds of a British loan would be applied to debts owing to British manufacturers.

7. Whereas until recently guarantees of the Imperial Bank of Iran have been considered adequate, this bank, apparently, now has all of the commitments of this character it desires. The representative is thus thrown to the National Bank of Iran, a much more uncertain factor, and is led to the consideration of such possibilities as the extent to which the Government would support the Bank in case the latter should find itself unable to meet its obligations, the state of mind of the Shah if such a situation should come to light, and so on.

On the other hand, retail dealers have empty shelves, keen demand, and plenty of useless Iranian currency.

The position is therefore one of considerable difficulty and uncertainty. The Department will be kept in touch with developments by reports from the Consulate and the Legation.

Respectfully yours,

Gordon P. Merriam
Gordon P. Merriam
Charge d'Affaires ad interim



OFFICE OF ECONOMIC ADVISER
FEB 1 1937
DEPARTMENT OF STATE

LEGATION OF THE
UNITED STATES OF AMERICA

VISA DIVISION

Teheran, December 15, 1936.

FEB 3 1937

No. 952

97d

Subject: Transmitting Copy of a Recent Account of
a Journey from Teheran to Trebizon.

R
RECEIVED
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DIVISION OF
COMMUNICATIONS
AND RECORDS

1937 JAN 21 PM 3 10

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92/09•168

Commercial Office
To Istanbul
DEPARTMENT OF STATE
JAN 22 1937 1/29/37
GSA GSA
DIVISION OF
NEAR EASTERN AFFAIRS

DEPARTMENT OF STATE
SAC
The Honorable
The Secretary of State,
Washington, D. C.

Sir:

In the thought that it may prove of interest to
the Department and of use to travellers, I have the
honor to enclose herewith a copy of an account by
an American citizen, Mr. Rex Vivian, of a journey which
he recently made from Teheran to Trebizon.

Mr. Vivian is an engineer who has recently been
in the employ of the Afghan Government.

A copy of the report is also being made available
to the Embassy at Ankara.

Respectfully yours,

Gordon P. Merriam
Charge d'Affaires ad interim

✓ Enclosure:

1. As stated.

801.4-Triplicate.
GPM/PLG

1/29/37
CERTIFIED
LEGAL & EXP

Copy.

REPORT OF JOURNEY FROM TEHERAN, IRAN, TO TREBIZOND, TURKEY,
BY MOTOR CAR AND MOTOR LORRY, AND THENCE BY SHIP TO
ISTANBUL, TURKEY.

Plenty of motor cars are available in Teheran for the journey to Tabriz, Iran. The distance is about 400 miles and a place in a motor car costs about Rials 140.00. It is customary to pay a municipal transport tax of Rials 5.00 and excess baggage is charged for also.

The journey requires from 12 to 15 hours as the road is in excellent condition. The traveller passes through the towns of Kazvin and Mian, and several other smaller villages. Stops are necessary at many points for passport examinations and in Tabriz, passports are taken when one enters the town and will be returned if the owner calls for it at the police station.

For three hundred (300) miles from Teheran, the country is quite level but the last one hundred (100) miles into Tabriz is through rolling country, and it is necessary to go over a small pass a few miles out of Tabriz. A certain amount of agricultural operations are carried on, chiefly wheat growing.

Tabriz is undergoing the same changes as the rest of Iran, with new bazaars, streets being widened, etc. Trade is weak at the moment, largely due to exchange restrictions. Chief export is carpets. Several Governments have Consuls in Tabriz, and quite a large American mission is stationed there.

Transport from Tabriz to Trebizond, Turkey, is not so easy. Probably two or three lorries leave Tabriz for Trebizond in a week. A private car can be hired but is rather expensive. To travel in the front seat of a motor lorry costs a maximum of about £4 Sterling. This includes the average travellers luggage. A seat in a private car would be about £6 or £7 and to take the car alone would be about £18 or £20. The distance is 915 Km. Herewith the route:-

| <u>From</u> | <u>To</u> | <u>Km.</u> |
|-------------------------|------------------------|------------|
| Tabriz..... | Marand..... | 66 |
| Marand..... | Khoi..... | 78 |
| Khoi..... | Maku..... | 124 |
| Maku..... | Bazghan, Iran..... | 18 |
| Bazghan, Iran..... | Gurgi Bolak, Turkey... | 4 |
| Gurgi Bolak, Turkey.... | Surbahan..... | 11 |
| Surbahan..... | Kizil Diz..... | 32 |
| Kizil Diz..... | Diadin..... | 30 |
| Diadin..... | Kara Kusa..... | 60 |
| Kara Kusa..... | Alashgird..... | 33 |
| Alashgird..... | Hasan Kala..... | 109 |
| Hasan Kala..... | Erzurum..... | 37 |
| Erzurum..... | Eleh Juh..... | 15 |
| Eleh Juh..... | Top of Pass..... | 63 |
| Top of Pass..... | Bayburt..... | 45 |
| Bayburt..... | Top of small Pass.... | 39 |

| <u>From</u> | <u>To</u> | <u>Km.</u> |
|------------------------|-----------------------|------------|
| Bt. fd..... | | 764 |
| Top of small Pass... | Jirish Khaneh Village | 38 |
| Jirish Khaneh Village. | Top of Ziagan Pass... | 49 |
| Top of Ziagan Pass... | Trebizond..... | <u>64</u> |
| Tabriz..... | Trebizond..... | 915 |

From Tabriz to Khoi the country changes very little, being gently rolling and fairly fertile. About ten miles from Maku the road goes up a small grade and from the top the traveller catches a first glimpse of Mt. Ararat--a double peaked mountain, the highest peak being about 16,000 feet and snowcapped the year round. From this point the road enters a narrow canyon and follows along the ruins of an old narrow gauge railroad, probably dating from the Russian occupation.

Maku is situated at the base of a semi-circular cut in the side of a limestone cliff several hundred feet high. A few of the buildings are of stone but for the most part the town is built of the mud huts so common in Iran. Several old locomotives lay near the road by the passport office and while they are rusting and obviously good for nothing, the traveller is not permitted to examine them.

From Tabriz to Trebizond, the rock formations appear to be mostly of limestone and of a character that a geologist might describe as up ended--that is, the strata is running into the ground at an angle which is at times extreme. Some sandstone of various shades are also to be seen.

Bazghan is the last town in Iran. A customs and passport examination is held here and except for the view of Mt. Ararat there is nothing else of interest in the place which is merely a collection of mud huts.

Gurgi Bolak is the first town in Turkey and a customs and passport examination takes place here. This place is right at the base of Mt. Ararat and one gets a magnificent view. The country around Ararat is very fertile and miles and miles of wheat fields extend in all directions. Through binoculars Ararat seems to be of volcanic formation and the sides are quite smooth and run to the top at an angle of 45 degrees.

Surbahan is a passport post and Kizil Diz is another customs post. All of Kurdistan is quite fertile and fruits such as melons, grapes and apples are plentiful and considerable wheat is grown also.

Kara Kusa is the most modern town since Teheran, with wide streets, electric lights, a restaurant with menus, and new shops. A hotel of sorts is available with beds costing about 40¢ American. From Kara Kusa to Trebizond there is no difficulty about a place for sleeping. All the towns have hotels and while a bedding roll is advisable for cleanliness it is not absolutely necessary.

Hasan Kala is an interesting old place with a large ancient fortress on a high rock overlooking the town. Rapidly being modernized like Kara Kusa.

Erzurum is an old fortified city having a moat without, and one enters and leaves through tunnels cut in the fortifications. At Erzurum the houses are built of stone and, for some reason, the town is not in the throes of reconstruction that characterizes the rest of Turkey. Foreigners are told courteously and definitely that they may not photograph the place and not to wander about. It seems to be in the hands of the military and, for that reason, foreigners are closely watched. A military escort is provided travellers from Hasan Kala through Erzurum to Eleh Juh.

Between Bayburt and Trebizon, a very poor grade of tobacco is grown and used locally for cigarettes. The chief export of Trebizon Province is hazel nuts and in the past year business in this line has been very good as Sicily and Spain are the only other places that produce these nuts and the Spanish export is curtailed due to war and the Sicilian supply is all being used in Italy.

Large flocks of American turkeys are raised for food in Eastern Turkey and one is told that the bird was imported from America years ago. The turkeys appear to be in a more domesticated state than in America. In Kurdistan it is not uncommon to see large flocks being driven through the streets like sheep.

From Erzurum through Bayburt to Trebizon lies some of the most magnificent scenery this writer has ever seen. Heavily wooded mountains, precipitous cliffs, winding roads, passes up to 6,000 feet high and, above all, marvellous sunsets. Kurdistan from a historical and scenic point of view must be one of the most interesting places anywhere.

Even in September the journey is cold; at one point near Erzurum a snowstorm was encountered.

A man named Owen was exploring for oil near Erzurum and he is supposed to be with Iraq Petroleum Co., and Standard Oil. Other men in the same line of work are reported near Sinope, one named Baker.

Steamships of a Turkish line leave Trebizon three times a week for Istanbul. Cost is about £4 Sterling. The ships stop at many Turkish ports including Palatane, Unieh, Samsun, Gheizeh, Sinope and Enoboli. The journey ordinarily requires three days to Istanbul. Sinope is noted chiefly for a large prison and Samsun is railhead for the railroad running to Ankara and Istanbul, as well as a tobacco port. Several Americans are in Samsun for American tobacco firms, buying, packing, shipping, etc.

A great deal of construction work is under way in Turkey, roads, harbors, fortifications, railroads, factories, etc. Mostly being done by European firms because they are prepared to do the work on a credit basis with long terms at very low rates of interest.

On the whole, I was treated very courteously in Turkey and carried away a very decent impression. The country has many restrictions and high taxes, but I gathered that the place is more efficiently organized than Iran and many European countries as well and the people do not have the semi-savage dislike of foreigners that one finds in Iran.

.....

The city of Trebizond is a clean old place with walls and other ruins dating from before the days of the Byzantine Empire. It has a fairly decent hotel--name Yesil Yurt--where rooms are available for \$1.25 American per night. There are French, British, Italian, Persian and German Consulates there, also a small Swiss colony who deal in hazel nuts.

DOCUMENT FILE

NOTE

SEE 500.C 115 23rd Conference/122 FOR #1131

FROM Iran (Engert) DATED Sept. 19, 1937
TO NAME 1-1137 ere

REGARDING:

Insecure economic structure of Iran. Comments on -
in connection with speech of the Iranian delegate at
the 23rd meeting of the International Labor Office.

891.50/37

25
1

891.50/38

DOCUMENT FILE

NOTE

SEE 891.00/1682 FOR #1254FROM Iran (Engert) DATED Mar. 14, 1958
TO NAME 1-1187 891**REGARDING:** Economic policies and progress under the Shah.

Comments at length on -.

Wi

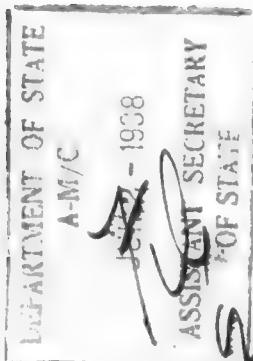
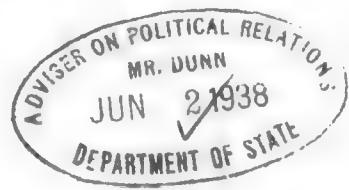
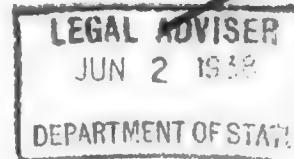


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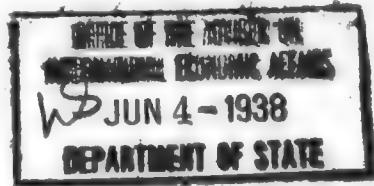
1938 MAY 14 PM 12 10

No. 1267.

Subject: DIVISION OF
COMMUNICATIONS
Remarks by the Shah at Norouz.



The Honorable
The Secretary of State,
Washington.



891-50/39

FILED

JUN 4 - 1938

Sir:

I have the honor to enclose herewith an English translation of some observations the Shah is reported by the IRAN of March 26, 1938, to have made on the Iranian New Year's Day in reply to the felicitations presented to him by the Director of the National Bank of Iran on behalf of all national institutions.

I have had the Shah's remarks translated in full because it is one of the rare occasions when His Majesty has been quoted literally. The text is also interesting because, reading between the lines, there is revealed a certain anxiety regarding the economic situation. Although he deigns to say "lately I have not been displeased", he is very emphatic in stating that "more energy must be exerted" and that he expects "much more than what has so far been accomplished."

Respectfully yours,


C. Van H. Engert
Charge d' Affaires a.i.

✓
Enclosure:

Article from IRAN, March 26, 1938.

File No. 850-Tripleate.

CVHE/RJG.

(Translation)

From the IRAN (Evening edition), March 26, 1938.

Remarks by the Shah on New Year's Day.

On the occasion of the Salaam held on the Iranian New Year's day (March 21, 1938), and after the Director of the National Bank of Iran had presented the congratulations on behalf of the national institutions, His Imperial Majesty expressed his pleasure, and made the following statements:

"Fortunately the natural condition of our country is in every respect favorable to the progress of the people. There is plenty of work and in view of her abundant sources of wealth Iran is capable of all kinds of improvement. More energy should be exerted by the people to the end that we may achieve still greater success.

"The inhabitants of the country must make energetic efforts, cooperate, and always consider the public interest above their own. The people of a country must all strive for their common happiness.

"I expect very much of the economic institutions, the merchants, and all the people. We must take advantage of the inherent capacity and the favorable condition of the country to assure the progress and prosperity of the public.

"Other countries which became rich and prosperous had no advantage over us as regards natural conditions and potentiality for becoming rich. In fact our country has a high position in that respect. It is the work done by individuals and the activity of the community that have made for success and progress in the world.

"However, lately I have not been displeased. Progress has been made in all economic fields of the country. And we see that good results have been achieved, betokening a bright future. But from the community as a whole and from capable individual units of the country I expect much more than what has so far been accomplished, particularly as all means of work are at everybody's disposal. My expectations are that in future every one, including the merchants and national establishments, individually and collectively will make every effort in their own work, as well as in the work done for the benefit of the public. They should strive for the public weal to the end that we may attain better results."

No. 488

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

APARTMENT ONE ST 411
file 100-22638
DIVISION OF POLICE
copy to: in NE

AMERICAN CONSULATE GENERAL

London, England.
June 7, 1938

SUBJECT: Report on Economic and Commercial Conditions in IRAN during 193

26
THE HONORABLE S. S. SMITH

THE SECRETARY OF STATE,
TRADE AGREEMENTS
WASHINGTON.
JUL 9 1938

1937 OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
SOL - 8 1938
DEPARTMENT OF STATE

DEPARTMENT OF STATE
DIVISION OF
COMMUNICATIONS AND RECORDS
PUBLICATIONS SECTION

I have the honor to forward to the Department,

1/ attached hereto, a copy of the report on the economic and commercial conditions in IRAN during 1937, which has recently been published by the British
L.M.C.
Department of Overseas Trade.

L.M.O.
RECORDING DEPARTMENT of Overseas Trade.

- C. In this publication information concerning economic and political conditions in IRAN is given under the following headings:

- I Introduction,
- II Finance,
- III Trade,
- IV Industry,
- V Natural Resources,
- VI Transportation and Communications.
- VII Social Questions,
- VIII Legislation and Treaties,
- IX Appendices.

In addition, general information concerning IRAN is given in the commercial summary, pages v to x. In this section the material included under the title of "Hints for Commercial Visitors" is particularly worthy of attention.

It is of interest to note that the import trade

values/

N/C

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• AUG 1 - 1933

values of IRAN increased by 7.4 percent in the 1935-1936 period as compared with 1934-1935, the totals having been the equivalent of £11,855,700 and £11,036,000 respectively. The corresponding export value totals were £22,526,700 and £25,878,000, respectively, which represents a decline of 12.9 percent in the 1935-1936 period.

Reference is made in the report to the extension of the existing foreign trade monopoly law through the formation of several companies with exclusive rights to carry on foreign trade in specified commodities. Mention is also made of the circumstances under which the law establishing control over foreign exchange was introduced on March 1, 1936. The report likewise contains information regarding the activities of the oil, sugar, cotton spinning, jute, tobacco and cigarette, and carpet manufacturing companies in operation in Iran.

The country's imports from the United States continued to rise and reached in 1935-1936, the total value of £958,740, (exclusive of non-dutiable imports) or 10.3 percent of the total import value. Of this total, £780,000 represented passenger motor vehicles (1,087 units) and commercial motor vehicles (1,623 units) in addition to motor car tires, and accessories. Exports from Iran to the United States in 1935/1936 consisted largely of woolen carpets.

Respectfully yours,

Enclosure:
1. Report.

125.7. HEC/MH.

Douglas Jenkins
Douglas Jenkins
Consul General

Enclosure to Despatch No. 488 dated June 7, 1938, from the American Consulate General, London, England, subject: "Report on Economic and Commercial Conditions in IRAN during 1937."

Source: H. M. Stationery Office,
London.

PUBLICATION

Title: Report on Economic and Commercial Conditions in IRAN during 1937. By F. A. G. Gray.
Assistant to the Commercial Secretary to H. M. Legation, Tehran. 1938. Price 1s.0d. net.

(With original copy of despatch only).

JUN - 2 1938

No. 698

DEPARTMENT OF OVERSEAS TRADE

Report
on Economic and
Commercial Conditions in
IRAN

During 1937

By F. A. G. GRAY,

Assistant to the Commercial Secretary to His Majesty's Legation, Tehran

(The previous Report was dated July, 1935)

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No. 698

DEPARTMENT OF OVERSEAS TRADE

Report
on Economic and
Commercial Conditions in
IRAN

During 1937

By F. A. G. GRAY,

Assistant to the Commercial Secretary to His Majesty's Legation, Tehran

(The previous Report was dated July, 1935)

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DEPARTMENT OF OVERSEAS TRADE

COMMERCIAL REPRESENTATION ABROAD.

To foster British overseas trade, the Department controls the following Services of Commercial Intelligence Officers:—

1. IN THE EMPIRE.

The Trade Commissioner and Imperial Trade Correspondent Services.

At the present time there are 18 Trade Commissioners' offices. These are situated, four in Canada (Montreal, Toronto, Vancouver, Winnipeg); three each in South Africa (Capetown, Johannesburg, Salisbury), and Australia (Sydney, Melbourne, Brisbane); two each in India (Calcutta and Bombay—to cover also Ceylon), and British West Indies (Trinidad, Jamaica); and one each in New Zealand (Wellington), Ireland (Dublin), Malaya (Singapore) and British East Africa (Nairobi).

The Trade Commissioners have the assistance of Imperial Trade Correspondents at a number of important centres.

There are also Imperial Trade Correspondents in those parts of the Empire to which Trade Commissioners have not been appointed.

2. IN FOREIGN COUNTRIES.

(a) The Commercial Diplomatic Service attached to the British Diplomatic Missions.

There are 39 Commercial Diplomatic posts situated in all the more important foreign markets of the world. The members of the Commercial Diplomatic Service are styled "Commercial Counsellors" in the highest grade, and "Commercial Secretaries" in the three lower grades. They are members of the staff of the British Embassy or Legation in which they serve.

The Commercial Diplomatic Officer has general supervision over the commercial work of the consular officers in his area and, with the co-operation of these two services, a complete network of Government commercial representatives is thrown over foreign countries.

The Department is represented in Iran by Mr. A. N. Cumberbatch, M.B.E., Commercial Secretary to His Majesty's Legation, Tehran.

(b) The British Consular Service.

Particular attention has been given to the commercial side of consular work since the re-organisation of the service. In certain countries where no Commercial Diplomatic Officer is stationed the senior Consular Officer undertakes duties of a similar character.

Further information regarding the above services can be obtained on application to the Department of Overseas Trade, 35, Old Queen Street, London, S.W.1.

Members of United Kingdom firms are urged to call upon the Department's representative abroad when they visit an overseas country. It is also important that they should make a point of their representatives abroad keeping in close touch with the Department's officers.

NOTE.

It should be understood that the views expressed in annual reports are the views of the officers themselves, and are not necessarily in all respects those of the Department.

CONTENTS

| | | | | | | | Page |
|--|-----|-----|-----|-----|-----|-----|-------------|
| COMMERCIAL SUMMARY | ... | ... | ... | ... | ... | ... | v |
| HINTS FOR TRAVELLERS | ... | ... | ... | ... | ... | ... | viii |
| I.—INTRODUCTION :— | | | | | | | |
| Economic Conditions in General | ... | ... | ... | ... | ... | ... | I |
| II.—FINANCE :— | | | | | | | |
| Recent Budget Estimates | ... | ... | ... | ... | ... | ... | 3 |
| Chief Sources of Ordinary Revenue | ... | ... | ... | ... | ... | ... | 3 |
| Chief Headings of Ordinary Expenditure | ... | ... | ... | ... | ... | ... | 3 |
| Extraordinary Revenue and Expenditure | ... | ... | ... | ... | ... | ... | 4 |
| Financial Situation | ... | ... | ... | ... | ... | ... | 5 |
| Exchange | ... | ... | ... | ... | ... | ... | 5 |
| Exchange Control | ... | ... | ... | ... | ... | ... | 6 |
| Currency | ... | ... | ... | ... | ... | ... | 7 |
| Banking | ... | ... | ... | ... | ... | ... | 8 |
| Insurance | ... | ... | ... | ... | ... | ... | 8 |
| III.—TRADE :— | | | | | | | |
| Foreign Trade | ... | ... | ... | ... | ... | ... | 9 |
| Imports... | ... | ... | ... | ... | ... | ... | 9 |
| Imports from the United Kingdom | ... | ... | ... | ... | ... | ... | 10 |
| Imports from India | ... | ... | ... | ... | ... | ... | 11 |
| Imports from U.S.S.R. | ... | ... | ... | ... | ... | ... | 11 |
| Imports from Japan | ... | ... | ... | ... | ... | ... | 12 |
| Imports from Germany | ... | ... | ... | ... | ... | ... | 12 |
| Imports from U.S.A. | ... | ... | ... | ... | ... | ... | 12 |
| Imports from other countries | ... | ... | ... | ... | ... | ... | 12 |
| Cotton Piece Goods | ... | ... | ... | ... | ... | ... | 12 |
| Exports... | ... | ... | ... | ... | ... | ... | 13 |
| General Trading Conditions | ... | ... | ... | ... | ... | ... | 14 |
| Monopolies and Semi-Monopolies | ... | ... | ... | ... | ... | ... | 16 |
| Import Quota List for 1937-38 | ... | ... | ... | ... | ... | ... | 19 |
| IV.—INDUSTRY :— | | | | | | | |
| Anglo-Iranian Oil Company Ltd. | ... | ... | ... | ... | ... | ... | 19 |
| Amiranian Oil Company | ... | ... | ... | ... | ... | ... | 19 |
| Carpets | ... | ... | ... | ... | ... | ... | 20 |
| Industrial Development | ... | ... | ... | ... | ... | ... | 20 |
| V.—NATURAL RESOURCES :— | | | | | | | |
| Agriculture | ... | ... | ... | ... | ... | ... | 22 |
| Tea | ... | ... | ... | ... | ... | ... | 23 |
| Timber | ... | ... | ... | ... | ... | ... | 23 |
| Tobacco | ... | ... | ... | ... | ... | ... | 23 |
| Opium | ... | ... | ... | ... | ... | ... | 24 |
| Cocoons | ... | ... | ... | ... | ... | ... | 24 |
| Fisheries | ... | ... | ... | ... | ... | ... | 24 |
| Red Oxide | ... | ... | ... | ... | ... | ... | 24 |
| Coal | ... | ... | ... | ... | ... | ... | 24 |
| Minerals | ... | ... | ... | ... | ... | ... | 25 |
| Miscellaneous | ... | ... | ... | ... | ... | ... | 25 |

| | Page |
|---|------|
| VI.—TRANSPORT AND COMMUNICATIONS :— | |
| Roads | 25 |
| Road Transport | 25 |
| Transport Rates | 26 |
| Railways | 26 |
| Ports | 27 |
| Civil Aviation | 27 |
| VII.—SOCIAL QUESTIONS :— | |
| Cost of Living | 27 |
| Standard of Living | 28 |
| Employment | 28 |
| Education | 28 |
| Health and Hygiene | 28 |
| Cinemas... | 28 |
| Municipal Improvements | 29 |
| VIII.—LEGISLATION AND TREATIES :— | |
| Legislation | 29 |
| Treaties... | 30 |
| IX.—APPENDICES :— | |
| I.—Iran's Foreign Trade, 1313-1315 (June, 1934 to June, 1936) | 31 |
| II.—Imports | 31 |
| III.—Exports | 32 |
| IV.—Total Trade, Imports and Exports... ... | 32 |
| V.—Chief Articles of Import | 33 |
| VI.—Chief Articles of Export | 35 |
| VII.—Principal Imports and Exports from and to the United Kingdom and British India ... | 37 |
| VIII.—Agricultural Produce, 1934-35 ... | 39 |
| IX.—Average Exchange Rates ... | 40 |

COMMERCIAL SUMMARY

Area.—About 628,000 square miles.

Population.—Estimated to be about 15,000,000 giving an approximate average density of 24 to a square mile.

Religion.—The bulk of the population is of the Shiah Mohammedans, the next most important being the Sunnis, probably numbering over a million. Jews, Bahais, Zoroastrians, Armenians, Nestorians and other Christians probably account for about 300,000.

Education.—A great deal of attention is given to education and in recent years the number of schools has been greatly increased. The number in the whole country in 1935 was 5,339 as compared with 3,285 in 1925.

Languages.—Commercial correspondence with firms abroad is mostly in French and English. (See section on Legislation at the end of this Report.)

Currency.—The unit is the Rial of 100 Dinars. Bank notes are issued by the Banque Mellie Iran.

Exchange.—The average official rates for sterling during the last six years were:—

1931-2 Rials 84.85 to £1.
1932-3 Rials 98.27 to £1.
1933-4 Rials 80.45 to £1.
1934-5 Rials 74.63 to £1.
1935-6 Rials 86.83 to £1.
1936-7 Rials 80.00 to £1.

Exchange has been controlled since 1st March, 1936.

Weights and Measures.—The metric system was introduced on 21st March, 1935, in virtue of a law passed on 8th January, 1933. The Kilogram (equivalent to one third of the Tabriz batman) is the unit for weights, and the metre for measures. The weights which have been superseded were:—

| <i>Iranian Weight.</i> | <i>English Weight.</i> | <i>Metric System.</i> |
|-------------------------------------|------------------------|-----------------------|
| 1 miskal | 71.6 grains... | 4.64 grams |
| 1 seer—16 miskals | 2 ozs. 185 grs. | 74.24 grams |
| 1 batman (Tabriz) = 40 seers ... | 6.5464 lbs.... | 2.970 kilograms |
| 1 kharvar (Tabriz) = 100 batmans... | 654.64 lbs.... | 297.00 kilograms |
| 3 kharvars | 1,963.92 lbs. | 1 short ton (approx.) |
| 3½ kharvars | 2,291.24 lbs. | 1 ton approx. |

Note.—The Batman (usually abbreviated to "man") varied in different towns, but the Tabriz man was the most used and was universal in the north of Iran. One shah man was equal to two ordinary mans.

Calendar.—The official months in the year 1316 (1937-8) are as follows:—

Farvardine—21st March to 20th April.
Ordebehesht—21st April to 21st May.
Khordad—22nd May to 21st June.
Tir—22nd June to 22nd July.
Mordad—23rd July to 22nd August.
Shahrivar—23rd August to 22nd September.
Mehr—23rd September to 22nd October.
Aban—23rd October to 21st November.
Azar—22nd November to 21st December.
Dey—22nd December to 20th January.
Bahman—21st January to 19th February.
Esfand—20th February to 20th March.

The year is thus from 22nd March to 21st March for ordinary purposes, including the financial year. The economic year for Customs returns, quotas, etc., is from 22nd June to 21st June.

Principal Imports.—The principal imports are:—cotton piece goods, sugar, motor vehicles, machinery, railway material, metals and heavy metal ware, cement and tea.

Principal Exports.—Besides mineral oil products the principal exports are:—carpets, raw cotton, wool, fresh and dried fruit, furs and skins, sheep casings, rice, opium and gum tragacanth.

Trade with United Kingdom.—The figures for the last two years were, according to the Tableau Général of the Customs Administration:—

| | Imports from the United Kingdom. | | Exports to the United Kingdom, including oil shipments. | |
|-------------|----------------------------------|---------|---|-----------|
| 1934-35 ... | Rials. | £ | Rials. | £ |
| 1935-36 ... | 51,999,000(a) | 696,756 | 696,542,655 | 9,333,280 |
| | 84,905,340 | 977,834 | 631,735,730(b) | 7,275,547 |

(a) exclusive of imports of gold bullion;

(b) exclusive of exports of silver.

N.B.—Imports of non-dutiable goods consisting largely of material imported by the Anglo-Iranian Oil Co. for its own purposes in connection with the winning and refining of oil are not included in these figures as the origin of such imports is not shown in the Tableau Général.

Transport.—Animal transport is now mainly confined to the produce of villages and to tracks off the main highways. Practically all goods imported and for export are carried by motor vehicles. Goods arriving at Bander Shah on the Caspian Sea can now be transported by rail up to Tehran, and goods arriving at Bander Shahpur on the Persian Gulf travel by rail to Salehabad, about 153 miles from the port, whence further transport is effected by motor. A railway line also runs between Tabriz and Julfa on the Soviet Union frontier and goods from and to the Soviet Union go by rail, linking up through Tiflis with Batoum on the Black Sea.

Posts and Telegraphs.—**Letters.*—Letters sent by ordinary mail are forwarded to Iran via U.S.S.R. and take from nine to twelve days to reach Tehran from London. Letters posted by Air Mail via Baghdad usually take longer than the ordinary mail as there is no air mail beyond Baghdad. It is therefore a mistake to use Air Mail for urgent correspondence.

Parcels.—Postage paid on parcels sent to Iran only covers transport up to the Iranian frontier Customs House. Inland postage to destination, varying according to the distance, is collected before delivery. Parcels can be sent through Persian Gulf ports, or via Baghdad-Khosrovic-Kermanshah, or through India and via Nok Kundi. All parcels should be carefully packed in wooden boxes, zinc, tin or stout leather.

Telegraphs.—Besides the telegraph system connecting all the important towns and many out-lying districts the Iranian Government has wireless stations at Tehran, Pahlevi, Tabriz, Meshed, Kermanshah, Shiraz, Kerman and Khorramshahr. A new wireless station has recently been constructed at Bushire but is not yet functioning.

* A weekly passenger and air-mail service has now been instituted between Baghdad and Tehran.

Telephone.—The Société Anonyme des Téléphones Iraniens works practically all the telephone system in Iran. The system includes trunk calls between most of the larger towns and villages along the main highways.

About 3,000 new automatic telephones were put into operation in Tehran in September.

TRAFFIC ROUTES.

1. Persian Gulf ports.—The British India Steam Navigation Co., Ltd., maintain a fast line from Bombay and Karachi to Bahrein, Bushire, Khorramshahr and Busreh weekly touching at Bahrein and Bushire fortnightly. Mail trains for Baghdad connect with these steamers. In addition to the fast line there is a weekly subsidiary line calling at Bandar Abbas, Bushire and Khorramshahr.

The Strick and Ellerman Line maintain regular direct communication with the United Kingdom and Continent, and the German Hansa Line also maintain services from Continental Ports. The American Isthmian Steamship Co. of New York inaugurated in 1936 a monthly service to Basra, occasionally touching at Khorramshahr. Boats of several Japanese companies visit the Gulf regularly, and occasional Italian, Dutch and Greek boats come to the Gulf, most probably on charter.

(a) **Bandar Abbas.**—The British India slow mail calls at Bander Abbas. Goods to and from Kerman are carried principally by motor lorry.

(b) **Bushire.**—The British India fast mail calls at Bushire fortnightly to take passengers or cargo up or down the Gulf. The slow mail calls every week. Stricks and Ellerman, Hansa and four Japanese service lines call regularly at the rate of about one ship each month. The Isthmian line only calls when there is cargo for landing. Goods have to be landed by lighters as seagoing boats have to anchor some distance from the shore. Goods for up country are transported by lorry to Shiraz, Isfahan and Tehran.

(c) **Bandar Shahpur.**—This is the southern terminus of the Trans-Iranian Railway and a good deal of traffic now goes through this port. There is still a great deal to be done to improve landing and unloading facilities, but the jetty is to be improved and lengthened, and improvements are contemplated in respect of Customs warehouses and the discharge of cargo.

(d) **Khorramshahr** (previously Mohammerah).—Sea-going vessels discharge in the Shatt-el-Arab about a quarter of a mile from the Customs. Goods are transported by the River Karoun up to Ahwaz: from there the railway takes them up to Salehabad where they are loaded on to lorries for up-country destinations. The Customs House at Ahwaz, the possible closing of which was mentioned in the previous report, is still functioning.

2. Iraq Transit Route.—The route via Basra-Baghdad-Khanekin to Kermanshah is not now used as much as it was some years ago. The quotas for imports through the Kermanshah Customs have been considerably reduced and traffic is being diverted to the all-Iranian routes through Khorramshahr and Bandar Shahpur.

3. Beirut-Baghdad.—Transport by trans-desert motor service and on to Khanekin-Kermanshah.

4. Rowanduz Road.—This road, connecting Baghdad with Tabriz through Mosul or through Kirkuk and Erbil, is not used much. It is usually closed by snow for several months in winter.

5. **Trebizond Route.**—By Black Sea steamer to Trebizond and then by lorry to Erzeroum-Hasan Kala-Diyadin-Kizildizeh-Maku-Tabriz. Most of the road is now in good order: facilities for transport of goods and travellers are available and goods arrive at Tabriz from Europe in remarkably short time, compared with the Persian Gulf routes.

6. **Batoum-Baku (for Pahlevi and other Caspian ports) and Batoum-Julfa for Tabriz.**—Permits have to be obtained from the Soviet authorities for the transit of certain goods permitted to pass through Soviet territory in accordance with International agreements. A railway joins Julfa with Tabriz. Mail boats carrying cargo leave Baku on Wednesdays and Saturdays, in the afternoon, arriving at Pahlevi early next day. Other boats serve Pahlevi as well as other Iranian ports.

7. **Indian Transit Route.**—By steamer to Karachi and thence by railway to Nok-Kundi: the line continues up to Zahedan (Duzdap) but is not in operation and goods are carried on by motor to Zahedan and thence to Meshed, Kerman and other destinations.

HINTS FOR COMMERCIAL VISITORS

Spring and autumn are the best seasons for visiting Iran. From June to September it is hot and dusty and from December to the end of February it is cold, and roads are liable to be blocked by snow.

Drinking water should be boiled unless the source is known to be uncontaminated: ice should not be taken in drinks, unless it is artificially prepared with uncontaminated water. Tea is safe and is obtainable at rest houses when travelling. Raw salads should be avoided. Fruit which cannot be skinned, e.g. grapes, cherries etc. should be washed in boiled water.

Convenient routes from England.*

(a) By Imperial Airways to Baghdad (two and a-half days), train to Khanekin (about seven hours) and thence by car to Tehran which can be done comfortably in two days. By car all the way from Baghdad the trip can be made in two days hard going. Fares from Baghdad to Khanekin: First Class, Iraq Dinars 1.540; Second Class, Ds.0.770. From Khanekin a whole car can usually be arranged for by Thos. Cook at *Baghdad*: one cannot count on finding a car at Khanekin for the trip up to Tehran. The cost of a whole car is about £15.

(b) By Simplon-Orient Express (Wagons-Lits) through Istanbul-Haidar Pasha. The line goes through Ankara up to Tel Kochek on the Turkish-Iraq frontier. Thence by car via Mosul, where there is a Rest House, to Kirkuk, and again by train to Khanekin. The trip from London to Tehran takes about nine days.

(c) Trans-desert motor route. The Nairn Transport Company run a bi-weekly service between Baghdad and Beirut and Baghdad-Haifa. Connexion can be made:—

- (I) by P. & O. or other line to Port Said and train to Haifa;
- (II) by Lloyd-Triestino to Beirut;
- (III) by Messageries Maritimes, American Export Line and other boats calling at Beirut.

(d) Via India:—

- (I) British India boats calling at Persian Gulf ports connect at Bombay with the P. & O.
- (II) For East Iran by sea to Karachi and thence by train (Sundays only) to Nok Kundi (two days) and road to Zahedan (138 miles).

* See footnote on page vi.

Passengers are carried between Nok Kundi and Zahedan mostly by lorry, and thence to Meshed by motor bus.

(e) *Overland via Berlin, Warsaw, Shepitovka, Baku, Pahlevi, Tehran.*--By Nord-Express the trip takes six and a-half days; by Flushing or the Hook of Holland seven days. The boat leaves Baku in the afternoon on Wednesdays and Saturdays, arriving at Pahlevi the following morning. Cars for the trip to Tehran are obtainable outside the Grand Hotel at Kazian (Pahlevi). A whole car costs about £10 and a seat only about 50s. The boat leaves for Baku on Thursdays and Mondays in the afternoon.

Hotels.--Hotels are fast improving. The following is a list of hotels in Tehran and the provinces:—

Tehran.—Ferdouci Hotel.—Room with bathroom, 50 rials; food daily about 30 rials. Naderi.—Room and bath, 50 to 60 rials; food daily about 30 rials. Khayyam (formerly the Grand Hotel).—Rooms, 30 to 40 rials; food about 30 rials. Darius (late France).—Rooms, 15-30 rials; food about 20 rials. Rey, Khiaban Shahabad.—Rooms, 20-30 rials; food about 20 rials. Palace Hotel.—Rooms, 20-40 rials; food about 20 rials.

There are also several European Pensions.

Kazian (Pahlevi).—Grand Hotel, near Customs.—Daily, about 50 rials.

Resht.—Hotel Iran.—Daily, about 40 rials.

Kazvin.—Grand Hotel.—Daily, about 40 rials.

Kermanshah.—Hotel Hallal Bala.—Daily, about 50 rials. Hotel Bristol.—Daily, about 50 rials.

Hamadan.—Hotel Elvand.—Daily, about 40 rials.

Isfahan.—Hotel Cyrus.—Daily, 40-50 rials. Hotel Ferdouci.—Daily, 45-50 rials.

Shiraz.—Hotel Saadi, Avenue Zand.—Daily, 35-40 rials. Hotel Fars, Avenue Saadi.—Daily, 25-50 rials.

Bushire.—Two hotels, one near the Customs and the other near the aerodrome.—Daily, about 50 rials.

Ahwaz.—Hotel Islami. Hotel Mohammedi. Hotel Iran. Hotel Gulshan.

Meshed.—Hotel Bakhtar.—Rooms with running water: daily, 35 to 50 rials. Hotel Pars.—Daily, about 40 rials.

Tabriz.—Hotel Jehan-nama.—Daily about 30 rials.

Chalous.—A new and up to date hotel.—Rooms, 60-70 rials; daily, about 100 rials.

Ramsar.—A new and up to date hotel.—Room, about 100 rials.

Babol Sar.—A new and up to date hotel is shortly to be opened.

Passports.--The Iranian visa is necessary and can be obtained at the Iranian Legation in London. Transit visas necessary for the different overland routes can be ascertained from the booking company. On arrival at destination in Iran it is necessary to declare ones arrival to the Police within 48 hours. A receipt for this declaration should be obtained, and this receipt, together with the passport, will enable the traveller to obtain the necessary exit visa for leaving the country.

Exchange.--Exchange is controlled. All foreign exchange must be declared at the Customs House of entry. Care should be taken that details of declared exchange are noted in the passport (in Latin characters as

well as Persian) which will be checked at the Customs post of departure: for this reason it is as well to obtain, and retain, certificates of all sales of exchange during the stay in Iran. Exchange can only be sold to the Imperial Bank of Iran or the Banque Mellé Iran.

Medical Certificates.—When applying for the Iranian visa travellers should ascertain whether certificates of inoculation against cholera, small pox or plague are required. In order to avoid delay at the frontier it is important that medical certificates should be on paper with printed letter-headings showing the medical qualifications of the issuing authority.

Internal Communications.—Cars are available in most towns at rates varying according to the season, state of the road and competition. The flat rates of the "Irantour" (State Travel Bureau) for tourist cars are:—Rials 1.10 (3d.) to Rials 1.25 (3½d.) per Kilometre according to the capacity of car. "Irantour" have connexions with Messrs. Thos. Cook & Son, Ltd., Wagons-Lits, American Express, Intourist and Peltours, from whom information regarding tours and travel in general can be obtained.

Motor cars of tourists domiciled abroad are admitted in transit against a guarantee equal to the value of the car, given by a bank or a reliable merchant for a period of three months, which can be extended by another three months. On departure from the country the guarantee is returned to the traveller. International driving licences are accepted.

Miscellaneous.—There are no regulations regarding the registration of commercial travellers. Bona fide samples of no value are admitted free. Samples of textiles should be less than 30 centimetres long if of full width.

Thursday afternoon and Fridays constitute the weekly holiday. There are, in addition, a fair number of Bank holidays during the year. The offices of His Majesty's Legation at Tehran and Consulates in the provinces are open on Fridays, and closed on Sundays.

REPORT ON ECONOMIC AND COMMERCIAL CONDITIONS IN IRAN

During 1937

I.—INTRODUCTION

Economic Conditions in General.—After a period of about three years during which exchange was free, the demand for foreign currencies, owing to the energetic development of the country and the approach of the most expensive period of the construction of the Trans-Iranian Railway, exceeded the supply and the Iranian Government found it necessary to establish control over exchange. A law to this effect came into force on 1st March, 1936. The shortage of exchange was acute, but during the summer of 1936 a fair amount was released for the payment of commercial bills in respect of certain categories of goods which were awaiting clearance at the Customs. Subsequently it was found necessary to restrict the supply of exchange for personal requirements and commercial bills.

Exchange restrictions and regulations, coupled with the foreign trade monopoly law of 1931, facilitated imports from Germany, with whom Iran had signed a payment clearing agreement in October, 1935, and the Soviet Union, whose trade with Iran is conducted on the barter system.

The foreign trade monopoly law was made more comprehensive by the formation of several companies to which were accorded the exclusive rights to export or import specified commodities. Many erstwhile active merchants became shareholders in the companies, many of which have paid good dividends. In another section of this report details are given of monopolies and semi-monopolies. Some have done well, particularly in the export line, others have been abolished and some have been modified. The silk monopoly will probably be abolished, or modified, as soon as the silk factory at Chalous, which is expected to be capable of meeting the country's requirements, begins working to capacity.

The Tariff Autonomy Treaty of 1928, which restricted Iran's right to increase her import tariffs, expired on 10th May, 1936. A new Customs Tariff was introduced on 22nd May. The new duties are mostly specific whereas in the former tariff they were mainly *ad valorem*. Duties are now levied in local currency instead of in gold rials, which involved a surtax, fluctuating with exchange rates, amounting eventually to 160 per cent. In general the new tariff imposes increased duties on almost all categories of imports; articles of low value, wide consumption and general necessity being the most lightly treated. In addi-

tion to Customs duties a road tax on gross weight is charged on practically all imported goods, luxury articles being heavily taxed.

In the year 21st June, 1934, to 21st June, 1935, the foreign trade figures, excluding non-dutiable imports, and exports of the Anglo-Iranian Oil Company and of the Caspian Sea Fisheries, showed an adverse trade balance of 135 million rials: in 1935-6 this balance rose to 157.2 million rials: for the first 10 months of 1936-7 (21st June, 1936, to 20th April, 1937) provisional figures show a decreased adverse balance of 94.2 million rials. Apart from the Anglo-Iranian Oil Company's royalties no details are available of invisible exports and imports.

Trade with the Soviet Union improved after the signing of the Irano-Soviet Treaty in August, 1935, and with Germany increased considerably in virtue of the Payment Clearing Agreement. Iran's exportable produce, however, would appear to have fallen short of requirements to balance her trade with these two countries. Imports from the United Kingdom kept up well in 1935-6 partly owing to an important purchase of cotton piece-goods, imports of machinery and cars and trucks, but provisional figures in 1937 show a falling off. Non-dutiable imports, the origin of which is not shown in the Customs Tableau Général, however, always swell considerably the total of imports from the United Kingdom, and if exports of mineral oils were included, the United Kingdom's total trade with Iran would still represent the largest share of Iran's foreign trade.

Thanks to the energetic steps taken by the Government considerable progress has been made in industrial and agricultural development: four new sugar factories have been installed in the last two years, bringing the total up to eight. Many cotton spinning mills have been erected in the provinces and an up-to-date silk mill was recently inaugurated at Chalous. The jute factory at Resht has worked well and is being extended, and a new one is to be installed at Shahi. An imposing tobacco and cigarette factory on modern lines has been installed at Tehran by the Tobacco Monopoly Department. The natural result is an increased activity in the cultivation of raw material to feed the factories.

The Iranian Government is now also turning its attention to the development of the country's mineral resources.

II.—FINANCE.

State Finance.

The following tables show the present position in regard to revenue and expenditure.

(a) Recent Budget Estimates.

| | | | Ordinary Revenue. Rials. | Ordinary Expenditure. Rials. |
|---------|-----|-----|--------------------------------|------------------------------------|
| 1936-37 | ... | ... | 1,000,016,740 | 1,000,008,484 |
| 1937-38 | ... | ... | 1,250,002,211 | 1,248,031,737 |

(b) Chief Sources of Ordinary Revenue.

| | | 1936-37. Rials. | 1937-38. Rials. |
|---------------------------------|-----|----------------------|----------------------|
| Direct Taxes ... | ... | 116,000,000 | 142,000,000 |
| Indirect Taxes... | ... | 147,972,503 | 179,570,000 |
| Customs Duties | ... | 300,000,000 (a) | 362,000,000 (b) |
| Monopolies ... | ... | 239,800,000 | 289,800,000 |
| Public Domains | ... | 28,500,000 | 41,000,000 |
| Receipts from Government shares | ... | 36,670,000 | 50,298,674 |
| Receipts from Industry | ... | 22,127,000 | 74,335,000 (c) |
| Posts and Telegraphs... | ... | 20,405,000 | 26,040,000 |
| Concessions ... | ... | 14,575,000 | 12,445,000 |
| Miscellaneous ... | ... | 73,967,237 | 72,503,537 |
| Totals | ... | 1,000,016,740 | 1,250,002,211 |

(a) Includes 150,000,000 rials from duty on sugar and tea, not previously included in normal budget revenue.

(b) Includes 160,000,000 rials from sugar and tea duties.

(c) Includes 60,000,000 rials "receipts from Cement Factory."

(c) Chief Headings of Ordinary Expenditure.

| | | 1936-37. Rials. | 1937-38. Rials. |
|---|-----|----------------------|----------------------|
| Ministry of War, including Road Guards | ... | 269,408,380 | 309,408,380 |
| Ministry of Interior, including Public Health | ... | 70,049,126 | 58,779,086 |
| Ministry of Education | ... | 67,458,250 | 71,458,250 |
| Ministry of Finance | ... | 111,882,970 | 153,957,188 |
| Public Fixed and undetermined credits | ... | 58,525,000 | 42,225,000 |
| Ministry of Justice | ... | 28,240,000 | 32,740,000 |
| Posts and Telegraphs... | ... | 33,616,000 | 36,616,000 |
| Public Utility Installations | ... | 30,000,000 | 70,000,000 |
| Road Construction (a) | ... | 20,000,000 | 40,000,000 |
| Railway Construction (b) | ... | 150,000,000 | 200,000,000 |
| Department of Industry | ... | 58,689,710 | 55,292,770 |
| Department of Mines | ... | 14,658,000 | 99,046,825 |
| Department of Agriculture | ... | 28,224,140 | 33,574,140 |
| Miscellaneous ... | ... | 79,256,698 | 45,033,988 |
| Totals | ... | 1,000,008,484 | 1,248,031,737 |

(a) In addition to proceeds of Road Tax.

(b) In addition to funds voted in a supplementary budget law. Prior to 1936-37 no charge for railway construction was included in the ordinary budget.

No figures are published of the actual results of any financial year. Increased revenue is expected from taxation, customs revenue and the monopolies. The estimates in the ordinary budget show progressively increased expenditure on the armed forces and on industrial development. Expenditure on railway construction, just now at about its highest point, has necessitated charges in the last two ordinary budgets. The estimates for the Ministry of Finance includes 40,000,000 rials for the construction of seven granaries and 22,630,000 rials for payments due for, and the construction of, the cigarette factory at Tehran.

(d) Extraordinary Revenue and Expenditure.

The following revenue items do not appear in the ordinary budget:—

| | | 1936-37. Rials. | 1937-38. Rials. |
|---|-----|-----------------------------|-----------------------------|
| Oil Royalties and Taxation | ... | 175,353,680 (£2,191,921) | 206,416,480 (£2,580,206) |
| Sugar and Tea Monopoly Tax (estimated) | ... | 100,000,000 | 110,000,000 |
| Road Tax (estimated) | ... | 80,000,000 | 80,000,000 |
| | | <hr/> 355,353,680 | <hr/> 396,416,480 |

The proceeds of the road tax are applied mainly to road construction and maintenance: an increased credit in the ordinary budget has been found necessary for increasing road construction. Revenue from the Sugar and Tea Monopoly Tax is devoted to railway construction. The oil royalties are paid into the Government reserve of foreign exchange abroad, and are drawn on when important purchases in foreign currency are effected on Government account.

The following items of expenditure do not figure in the ordinary budget:—

| | | 1936-37. Rials. | 1937-38. Rials. |
|--|-----|--------------------|--------------------|
| <i>Provision in the Supplementary budget:—</i> | | | |
| For Military Supplies (£2,000,000) | | 160,000,000 | — |
| For Railway Construction (£1,000,000) | ... | 80,000,000 | £1,000,000 |
| For Railway Vote | ... | 150,000,000 | Votes |
| For Sugar Factories £80,000 | ... | 6,400,000 | 240,000,000 |
| Roads (estimated) | ... | 70,000,000 | 70,000,000 |
| | | <hr/> 466,400,000 | <hr/> 390,000,000 |

These figures are approximate only, exact information not being available.

Financial Situation.—Iran's progressive programme, which includes a railway from sea to sea, industrial development on a large scale, agricultural improvements, town reconstruction, port building and up to date equipment for the growing army and air force has naturally entailed a strain on the country's financial resources, one symptom of which is the present acute shortage of foreign exchange. No details are, however, available of actual revenue collected and expenditure incurred. Iran's foreign debt is small, and no details of a floating debt are available.

The Government's gold reserves of over £3,000,000 were transferred in 1935 to the Banque Mellie Iran as part of the Bank's increased capital. This gold with about £5,000,000 worth of silver forms the metallic reserve against the Bank's note issue.

The royalties and taxes paid by the Anglo-Iranian Oil Company in respect of 1936 and 1937 amounted to £4,772,127. In the supplementary laws to the budgets for 1936-7 and 1937-8 provision was made for £2,000,000 for military equipment, £2,000,000 for railway construction and £80,000 for sugar factories, a total of £4,080,000 which was presumably to be met out of reserves abroad and would leave a balance of about £690,000 out of the payments of the Anglo-Iranian Oil Company. Nothing is known of other payments into, or actual withdrawals from, the reserves abroad, the amount of which is not made known.

This year's crops in general are reported to be mediocre owing to climatic conditions, though the cotton crop will apparently be considerably above normal owing to increased acreage under cultivation. On the other hand the production of the eight sugar refineries should, given suitable beetroot crops, reduce imports of sugar from abroad. Agricultural improvement and exploitation of mineral deposits, rather than more industrial development, would appear to be the programme at present, and exportable produce may be satisfactorily increased and possibly improved in quality. Provision for railway construction next year should be considerably less than has been necessary in the preceding two years, and initial expenditure of the Amiranian Oil Company in connexion with the recent concession should bring money into the country. The admitted shortage of exchange and recent amendments to the Exchange Control Law suggest a temporarily difficult situation, yet it should be noted that despite persistent rumours of a foreign loan there is as yet no sign that this has been found necessary.

Exchange.—The complete freedom of operations in foreign exchange, which was enjoyed since May, 1933, came to a sudden end on 1st March, 1936, when the Parliament passed a law for

the control of exchange and exchange transactions. An Exchange Control Commission was formed, and the rates of foreign exchange were based on a fixed rate of Rials 80 to the £ sterling for buying and Rials 80.50 for selling: these rates have been maintained. All purchases and sales of exchange were to be effected by the two authorised banks, the Banque Mellé Iran (the State Bank) and the Imperial Bank of Iran, on account of the Government. These banks were authorised to sell exchange only on presentation of permits issued by the Control Commission. The rate previous to the control was just below 100 rials to the £. Exporters had to give undertakings to sell to the authorised banks proceeds realised from sales of exports within three months of the date of exportation. It was not always possible to effect sales within this period and it is understood that some latitude was subsequently allowed. Commercial exports, however, did not decline partly because most of the exports were handled by monopoly companies and prices of raw material were favourable in world markets, and partly because the Soviet Union and Germany, two of the most important absorbers of Iranian produce in 1935-6 and during the first nine months of 1936-7, have special trading arrangements with Iran and in consequence are not affected, as are other countries, by the control of exchange.

In 1935-6 the Soviet Union and Germany took about 25 per cent. of the total exports from Iran (exclusive of Oil and Fisheries products). According to preliminary estimates for the first nine months of 1936-7 (22nd June, 1936, to 20th March, 1937) exports to these two countries accounted for about 53 per cent. of the total. It may be presumed that Iran obtained for these exports no foreign exchange which could be placed at the disposal of the Control Commission. Expenditure on the Trans-Iranian Railway, just now at its highest peak, and the progressive industrial and agricultural programme made heavy demands on exchange available with the result that it became increasingly difficult for the Control Commission to meet commercial and personal requirements.

Exchange Control.—As already mentioned, control over exchange came into force on 1st March, 1936, but control under this law was much more effective than the control exercised in 1930 to 1932. All operations by the two authorised banks are made on account of the Government, and evaders of the regulations were made liable to very heavy penalties.

*In the summer of 1937 two important amendments to the law were made: the first allowed importers to use their own funds abroad for imports of specified goods: permits for the imports

* Since this report was written further regulations regarding the sale of exchange have been introduced which are intended to improve the situation. Details can be obtained at the Department of Overseas Trade.

and sanction from the Control Commission had, of course, to be obtained. This was followed by a second amendment at the end of August permitting exporters of goods falling within the third category of local products, which includes silks, woollen goods, maize, cumin seeds, plant oils, fresh fruit, copper and brass work, walnut skins, cigarettes, peas and beans, quince seeds, etc., etc., to import in return goods the import of which was permitted and not monopolised, and in accordance with the free import quota list. These imports need not necessarily be imported in the name of the exporters. The exporter has to sell his exporter's exchange, within eight months, to one of the authorised banks which can resell this exchange to an importer on production of the necessary permits. This system was in force towards the end of the control of 1930 to 1932, and, provided that third category produce proves to be suitable for foreign markets, should do something to stimulate trade, though retail prices of imported goods are not likely to be reduced.

Another minor amendment affords facilities for the exchange of goods at the smaller ports on the Persian Gulf up to Rials 1,000 (£12 10s.) at a time, and at all Gulf ports up to Rials 100 for sales to passengers and crews of visiting ships, against which specified goods needed locally may be purchased.

Currency.—The law of 19th March, 1930, which was to introduce the gold standard, was never put into effect. A second currency law passed on 13th March, 1932, constituted the gold Pahlevi, equal to a gold pound, the unit of currency, and this was to be divided into 100 rials of 100 dinars.

By a law approved by Parliament on 8th November, 1936, the maximum issue of bank notes of the Banque Mellé Iran was increased from 800,000,000 rials (£10,000,000) to 1,176,163,600 rials (£14,702,045): the metallic cover against these notes is to remain at 60 per cent. The expansion of the note circulation has been rapid: at 20th March, 1935, it was 338,000,000 rials (about £5,000,000 at the rate then current); at 20th March, 1937, it had risen to 813,186,220 rials (£10,164,830), and at 6th September it stood at 853,395,820 rials (£10,667,448). The metallic reserve, gold and silver, at 6th September, 1937, was 711,350,780 rials (£8,891,885).

A new note issue, printed in the United Kingdom, was put into circulation in July, 1937: the notes are of 10, 20, 50, 100, 500 and 1,000 rials but all denominations have not yet been issued. All the old nickel and copper coins were to be withdrawn from circulation by 20th March, 1938, and to be replaced by an issue of 50,000,000 rials in new copper coins of 5, 10 and 50 dinars approved by Parliament on 28th February, 1937. Practically all the silver coinage has been withdrawn from circulation.

Banking.—The Imperial Bank of Iran, established in 1889, is the oldest bank in Iran. It is a British concern with chief office at Tehran, an office in London, 15 branches in Iran and two in Iraq.

The Banque Mellie Iran is the State Bank and was founded in 1927. The bank has exercised since 1932 the sole right of note issue. It has 42 branches in Iran and 23 other branches are to be opened. Its London Agents are the Midland Bank. The Banque Mellie and the Imperial Bank are the only two banks in Iran authorised to transact foreign exchange operations in accordance with the foreign exchange control law.

The Agricultural and Industrial Bank, formerly a section of the National Bank (Banque Mellie Iran) was constituted a separate establishment in May, 1933. It is a State Bank and its special functions are to encourage and assist financially when necessary agricultural and industrial developments. It has branches in most of the important agricultural centres.

The Ottoman Bank has branches at Tehran and Kermanshah.

The Bank-i-Pahlavi, under the direction of the Treasurer General of the Forces, deals principally in advances against properties and army business.

The Russian Bank, with a few branches in the provinces is mainly interested in financing Irano-Soviet trade.

Insurance.—Several foreign, including United Kingdom, insurance companies are represented in Iran. A National Insurance Company entitled "Iran, Société Anonyme d'Assurances" was formed in September, 1935, under the aegis of the Ministry of Finance, with a capital of 20,000,000 rials (£250,000) of which 7,500,000 rials (£93,750) paid up. The balance sheet for the year ended 20th March, 1937, showed a profit of 893,258 rials (£11,165 14s. 6d.) of which 600,000 rials was paid in dividends; 100,000 rials passed to the Statutory Reserve and 193,258 rials carried forward. During the year 2,484 policies were issued covering risks of 1,461,364,380 rials (£18,267,055) mostly against fire. The resources of the company, including the authorised capital, are put down at 22,276,681 rials (£278,458).

A decree regulating the position of foreign insurance companies operating in Iran was issued on 4th October, 1936, and such companies were allowed a period of six months within which to comply with the provisions. A period of grace was, however, accorded and the period was subsequently extended to 2nd October, 1937. New regulations have subsequently been issued.

III.—TRADE.

FOREIGN TRADE.

The following figures taken from the last Tableau Général published by the Customs Administration show the external trade of Iran in 1935-6 compared with the previous year:—

| | 1934-35. Rials. | 1935-36. Rials. | Increase or decrease per cent. |
|--|---------------------------------------|---------------------------------------|--------------------------------------|
| <i>Imports</i> — | | | |
| Merchandise, bullion, and specie | 648,791,996 | 803,833,496 | + 23.8 |
| Non-dutiable | 174,822,178 | 225,596,796 | + 29.0 |
| Total | 823,614,174 (£11,035,966) | 1,029,430,292 (£11,855,698) | + 24.9 + 7.4 |
| <i>Exports</i> — | | | |
| Merchandise, bullion, specie and fisheries... | 534,495,660 | 659,692,712 | + 23.4 |
| Oil products | 1,396,776,229 | 1,296,298,979 | - 7.2 |
| Total | 1,931,271,889 (£25,877,956) | 1,955,991,691 (£22,526,679) | + 1.3 - 12.9 |
| TOTAL TRADE ... | 2,754,886,063 (£36,913,922) | 2,985,421,983 (£34,382,377) | + 8.4 - 6.8 |
| Excess of exports over imports | 1,107,657,715 (£14,841,990) | 926,561,399 (£10,670,981) | - 16.3 - 28.1 |
| Rates of conversion : 1935-36 | | | |
| | ... £1 | = 86.83 | |
| | 1934-35 | ... £1 | = 74.63 |

The Iranians do not include exports of oil and of the Caspian Sea Fisheries, nor the non-dutiable imports, in arriving at the balance of trade. The adverse balance of commercial imports and exports in 1936 was 157,193,583 rials (£1.81 million) as compared with 135,044,776 rials (£1.78 million) in 1935.

Imports.—The following table shows the main categories of commercial imports (exclusive of duty-free imports) during the years 1934-5 and 1935-6:—

| | 1934-35. (Weight in kilos.) | 1935-36. | 1934-35. (Value in rials.) | 1935-36. |
|--|--------------------------------|--------------------|------------------------------------|------------------------------------|
| Live animals | 1,151,217 | 63,135 | 1,017,369 | 692,653 |
| Food and drink ... | 52,875,849 | 69,372,747 | 107,667,811 | 121,244,590 |
| Raw materials and semi-manufactured articles | 172,955,364 | 313,689,344 | 91,340,814 | 151,320,572 |
| Manufactured articles | 56,207,958 | 50,987,354 | 404,233,579 | 529,666,848 |
| Precious metals, gold and silver | 4,323 | 1,812 | 44,532,423 | 908,833 |
| | 283,194,711 | 434,114,392 | 648,791,996 (£8,693,447) | 803,833,496 (£9,257,554) |

Nature of Imports.—The principal imports in 1935-6 were cotton piece-goods, sugar, motor vehicles, machinery, tea, cement and railway material. The shrinkage in imports of oil products is again evident, the growing demand being met from oilfields in Iran.

Imports of cotton piece-goods rose to 163,185,000 rials (£1,879,362) from 133,735,000 (£1,791,974) in the previous year. The increase was shared by the principal suppliers, i.e. U.S.S.R., Japan, United Kingdom and India.

The bulk of imports of motor vehicles and accessories continued to come from the U.S.A. who supplied in 1935-6 2,716 units of a value of rials 67,715,500 (£780,000) as compared with 2,380 of a value of rials 60,364,976 (£808,850) in 1934-5. The United Kingdom figures improved also, 335 units being imported as against 227 in the previous year. The U.S.S.R. supplied 28 lorries as compared with the previous figure of 122.

Imports of sugar increased considerably from 52,070,000 rials (£697,700) in 1934-5 to 63,117,000 rials (£726,900) in 1935-6. Imports in 1933-4 were 53,050,000 rials (£659,410).

Railway construction and industrial and agricultural development caused a large increase in imports of material and rolling stock for the railway, machinery, tools, etc., from 56,081,000 rials (£751,450) in 1934-5 to 112,637,000 rials (£1,297,200) in 1935-6. Of this last total machinery and tools accounted for 81,212,000 rials (£935,300), and 31,425,000 rials (£361,900) represented rolling stock and railway material. Machinery was supplied principally by Germany 30,625,000 rials (£352,700), United Kingdom 17,020,000 rials (£196,000), Czechoslovakia 11,236,000 rials (£129,400), and railway material by France 12,450,000 rials and Germany 10,690,000 rials.

Owing to dress reform in Iran the demand for woollen goods has considerably increased from 10,005,000 rials (£134,000) to 19,462,000 rials (£224,100): the value imported in 1933-4 was 3,038,000 rials.

Tea imports fell from 47,245,000 rials (£633,060) in 1934-5 to 41,925,000 rials (£482,000) in 1935-6. The bulk as usual came from India.

Imports from the United Kingdom.—Commercial imports from the United Kingdom during 1935-6 amounted to 84,905,341 rials (£977,834) as compared with 51,998,974 rials (£696,757) in 1934-5, the improvement being chiefly in imports

of machinery, automobiles and textiles. The principal imports were:—

Machinery, tools and parts. The United Kingdom's share was 17,020,000 rials (£196,015) out of a total of 81,212,000 rials (or 21 per cent.). These figures do not include imports of the Anglo-Iranian Oil Company.

Textiles. United Kingdom cotton piece goods imports amounted to 14,910,000 rials (£171,715) or 9 per cent.; woollens rose to 6,620,000 rials (£76,240) or 34 per cent. Cotton and woollen mixtures to the value of £113,992 were imported, out of which £30,230 (or 26.5 per cent.) came from the United Kingdom and £62,620 from Belgium.

Motor cars and lorries. Imports from the United Kingdom amounted to 12,812,000 rials (£147,552), or about 21 per cent. of the total. 137 lorries and 198 cars were imported.

Tyres and spare parts. Out of a total of 34,881,000 rials (£401,716) the share of the United Kingdom was 5,054,000 rials (£58,205) or 14.4 per cent.

Iron, tin, constructional steel, etc. Excluding the considerable non-dutiable imports of the Anglo-Iranian Oil Company, imports from the United Kingdom amounted to about £34,500 out of a total of about £519,900; the Soviet Union and Germany were the principal suppliers.

Bicycles. 7,290 pedal cycles of a value of about £25,475 and 55 motor cycles, valued at about £2,260 were imported in 1935-36.

Haberdashery, telephone and telegraphic accessories, clothes and hats, chemicals, alcoholic drinks, etc., were the next principal imports.

Imports from British India.—Imports from British India into Iran at 56,530,000 rials (£651,048) were slightly more in 1935-6 than in the previous year in rials though the sterling value was less owing to the depreciation of the rial. Tea, 32.6 million rials, cotton piece goods 8.2 million rials, pepper and curry 8.3 million rials represented about 87 per cent. of Indian imports. The import of cotton yarns being prohibited the value of imports dropped to 22,000 rials in 1935-6 compared with 4 million rials last year.

India supplied nearly 78 per cent. of all tea imports, the percentage showing a further decline, owing to competition of Java (12.7 per cent.) and Japan (6.3 per cent.), Ceylon supplying about 3 per cent. Indian cotton piece goods showed an increase of 3.2 million rials or about £40,000.

Imports from U.S.S.R.—Soviet imports, though not representing as much of the total as before the trade disputes just prior to the Soviet-Iranian Treaty of August, 1935, show considerable recovery: the percentage of the total rose from 21 per cent. in 1933-4 to 29.7 per cent. in 1934-5 and 30 per cent. in 1935-6. The increases are mostly due to large imports of cotton piece goods, sugar, cement, vehicles and metals. Imports of mineral oils in 1935-6 fell to 10.8 million rials as compared

with 36.5 million rials in 1932-3, due to the increasing use in Iran of locally produced oil products.

Imports from Japan.—Japanese imports in 1934-5 represented 8.6 per cent. of the total, and in 1935-6 9.7 per cent. The figures are less than for 1933-4 when the percentage was 11.8 which will probably remain as the high water mark. Next to cotton piece goods valued at 52.7 million rials (£658,900), cement 10.4 million rials, tea 2.6 million rials, woollens 1.5 million rials, crockery 1.2 million rials and glassware 1.1 million rials were the principal imports in 1935-6.

Imports from Germany.—Following a decline in 1934-5 of over 10 million rials in imports, the 1935-6 figures show a considerable rise to 119 million rials (£1,488,900), representing 14.8 per cent. of the total imports into Iran (exclusive of non-dutiable imports). The increase was no doubt partly due to the Payment Clearing Agreement between Iran and Germany signed in Berlin at the end of October, 1935. The principal increases were in machinery, tools, railway material, metals, chemicals and dyes, haberdashery, woollens, wearing apparel and hats, glassware and crockery, scientific instruments and bicycles.

Imports from the United States.—These continued to rise and in 1935-6 reached 83.2 million rials (£958,740) representing 10.3 per cent. of total imports (exclusive of non-dutiable imports). Nearly £780,000 represented imports of cars (1,087 units), trucks (1,623 units), tyres, tubes and accessories.

Other Countries.—Imports from France in 1935-6, amounting to 40.6 million rials (£461,770) included 12.5 million rials (£143,370) railway material. Silk tissues, tyres and tubes, woollens and machinery were the next most important imports.

Belgian imports declined owing to decreased sugar shipments.

Imports from Czechoslovakia included 10.4 million rials of industrial machinery.

Cotton Piece Goods.—Imports of cotton piece goods in 1934-5 amounted to 133,735,000 rials (£1,791,990), the lowest figure for many years, but in 1935-6 imports rose to 163,185,000 rials (£1,879,360). The increase was shared by the four principal suppliers of cotton goods, but imports from the United Kingdom, India and Japan still showed decreases compared with 1933-4. Imports from the Soviet Union represented about half of the total.

The following table shows the trend in the cotton piece-goods trade in Iran during the last three years:—

| | Percentage of the yearly trade. | | |
|----------------------------|---------------------------------|----------|----------|
| | 1933-34. | 1934-35. | 1935-36. |
| U.S.S.R. | 25.6 | 54.6 | 50.2 |
| Japan | 45.6 | 30.7 | 32.3 |
| United Kingdom | 16.4 | 8.5 | 9.1 |
| India | 7.6 | 3.8 | 5.0 |
| <hr/> | | | |
| Total Trade— | | | |
| In 1,000 rials | 143,191 | 133,735 | 163,185 |
| In 1,000 £ | 1,780 | 1,792 | 1,879 |

Greys.—The import is now prohibited, only small quantities have been imported in the last two years, the total imports representing only £425 in 1934-5 and £655 in 1935-6.

Bleached.—Total imports fell from 19.2 million rials in 1933-4 to 17.5 million rials in 1934-5 and rose to 23.5 million rials in 1935-6. Imports from the United Kingdom and India were insignificant, the Soviet Union and Japan supplying practically all that was imported.

Printed and dyed in the piece.—The Soviet Union and Japan continued to be the principal importers, the totals being 98.9 million rials in 1934-5 and 113.3 million rials in 1935-6. Percentage of the totals were:—

| | 1933-34. | 1934-35. | 1935-36. |
|----------------------------|----------|----------|----------|
| U.S.S.R. | 30.1 | 60.5 | 56.7 |
| Japan | 40.4 | 24.3 | 26.3 |
| United Kingdom | 16.2 | 9.0 | 8.6 |
| India | 9.2 | 4.4 | 5.9 |

Dyed in the Yarn.—From a total of 9.5 million rials in 1933-4 imports fell in 1934-5 to 8 million rials and rose to 13.9 million rials in 1935-6, when Japan imported 56.2 per cent., the Soviet Union 31.8 per cent. and India 10.7 per cent.

Mercerised cotton goods, poplins, voiles, etc.—Imports in 1935-6 were nearly 12 million rials, compared with 9.1 million in 1934-5 and 8.8 million in 1933-4. In 1934-5 Japan's percentage of imports was 46 and the United Kingdom's 22.8 per cent.: in 1935-6 the United Kingdom figure rose to 41 per cent. and the Japanese fell to 22 per cent.

Exports.—Excluding shipments of Anglo-Iranian Oil Company oil and products of the Caspian Sea Fisheries, according to the Tableau Général of the Customs Administration, the total exports in 1934-5 amounted to 513,747,000 rials (£6,883,920) and in 1935-6 to 646,640,000 rials (£7,447,194).

The principal exports to the United Kingdom are carpets, gum tragacanth, skins and furs, wheat and barley, dried fruit and red oxide. India is an important absorber of fresh and dried fruit, principally almonds and dates, and also takes a fair amount of carpets, silk, cumin and assafoetida. Practically all rice exports go to the Soviet Union, which also absorbs large quantities of cotton, raw wool, skins and hides, livestock, raisins and gum tragacanth.

The chief exports to Germany are sheep casings, wool, cotton (though recently practically all the cotton has been going to the Soviet Union), dried apricots, tanned skins, gum tragacanth and carpets.

Carpets were shipped chiefly to the U.S.A., the United Kingdom, Turkey and Iraq. Opium shipments in 1935-6 amounted to nearly £400,000 of which some £117,000 to Singapore, the rest going to China, Japan, Germany, France and the United Kingdom. Exports to Japan only amounted to 8.2 million rials (about £94,000) of which 7.7 million rials represented exports of opium and gum tragacanth.

General Trading Conditions.—The foreign trade monopoly law is still in force and the re-introduction of Exchange control made it necessary to conduct trade along certain prescribed lines.

Most of the more important exportable products were monopolised and exports were effected by companies formed for the particular purpose. The foreign trade monopoly law originally allowed export certificates relative to exports of monopolised goods to be issued for only 55 per cent. of the value: in November, 1936, a decision was taken authorising the issue of export certificates for the full value of the exports. This also applies to other export certificates, import permits for 100 per cent. now being issued. World prices were high and Iran succeeded in finding good markets abroad for most of her produce—wheat, barley, skins and hides, dried fruit, cotton, wool and gum, which were all monopolised. Recently the export of carpets has been made free, the monopoly company only exercising a right to control the carpets exported. The export of saffron and pistachios has also been made free, soft skins can be exported by any one on payment of a 5 per cent. tax and dried fruit may be exported under special permission of the Department of Commerce. The grain monopoly has become a Department in the Ministry of Finance.

Iran's foreign trade was also affected by the Irano-German payment clearing agreement of 30th October, 1935. In virtue of this agreement importers of German goods were exempted from the obligation to support their applications for import

licences with certificates of exports from Iran: this gave Germany, at the time, an advantage of about 17½ per cent. (the cost of the export certificate 15 per cent., and the issue of an import licence for only 85 per cent. of the value of the certificate) over other countries which had no similar agreements with Iran. While exchange was free other countries could compete but when the control of exchange came into force the advantage of importing goods from Germany was greatly enhanced as local currency was paid into the Banque Mellie Iran for automatic transfer through the clearing account. Imports from Germany naturally increased; the percentage of the total in 1934-5 was 9.1, in 1935-6 14.8 per cent. and, from provisional and incomplete figures, for the first nine months of 1936-7 12.8 per cent., while imports from the United Kingdom in the same periods represented 14.6 per cent., 10.5 per cent. and 5.3 per cent. The most striking example is in imports of woollens: in 1933-4 Germany was sixth on the list of importers and in the first 11 months of 1936-7 (21st June, 1936—21st May, 1937) rose to the top of the list with an approximate total of 12.4 million rials, the United Kingdom being second with 5.5 million rials. The Soviet Union's trade with Iran being on the barter system, the control of exchange does not affect trade between the two countries.

On 5th July, 1937, a notice was published by the Department of Commerce to the effect that no order can be placed abroad unless the approval of the Department has been obtained and the necessary formalities for permits to purchase exchange have been complied with. No import permit will be issued for goods ordered without compliance with this regulation. Provided the instructions are followed, payment for goods ordered in future should not meet with the difficulties encountered in the past. Importers with all the necessary documents in hand can apply for a permit to purchase all the necessary exchange or for an advance, not exceeding 25 per cent., and a permit for the balance payable at three months date—or about the time the goods would be arriving at port of entry.

Since 21st April, 1936, certificates of origin signed by competent authorities in the country of origin must be attached to invoices of all goods imported into Iran. Certificates in respect of United Kingdom exports can be issued by Chambers of Commerce and the Federation of British Industries. It is not necessary to have these certificates legalised by Iranian Consular Officers.

Mention has already been made under the heading "Exchange Control", p. 6, of a notice published by the Exchange Control Commission (in the local Press of the 23rd July, 1937) which allowed importers to pay for imports with

their own funds abroad. They must mention in their applications to the Exchange Control Commission for import permits that no exchange is required. This facility is for imports of machinery, spices, tea, medicines, raw hides, tin and copper, cochineal, rosin and bitumen, plants, tanning extracts, natural and synthetic indigo, waxes, pure woollens, glassware, coffee, rubber, electrical equipment, woollen yarns, sewing thread and books. Reference has also been made in the same section to another amendment to the exchange control law published at the end of August, 1937, regarding the permission to export goods of the third category and to import in return goods the import of which is free, within the conditions of the import quota list.

In view of frequent changes in conditions and regulations it is desirable to consult the Department of Overseas Trade or the Commercial Secretary to His Majesty's Legation at Tehran before embarking on fresh business.

Monopolies and Semi-Monopolies.—The following monopolies were in existence at the end of September, 1937:—

Sugar and Tea Monopoly.—This monopoly was brought in in 1925 but merely in the form of a monopoly tax of 6 rials per batman (6½ lb.) of tea and 2 rials on the same weight of sugar; whether imported or locally produced. The revenue was earmarked for railway construction. The actual import of tea is free, provided it is packed in packages not exceeding 500 grammes and the duty and tax are paid. Sugar, however, is imported from the Soviet Union by the Government, but individuals can import from elsewhere under sanction of the Sugar Monopoly Company. The import of *matches* is also a Government monopoly: it was previously handled by the Sugar and Match Monopoly but the right to import is now vested in the Tobacco Monopoly.

Opium.—A Government Monopoly of Exports and Sales of Opium was introduced in 1928. In 1934 the exclusive right to export was granted to the Iranian Opium Export Monopoly Company and all purchases for shipment have to be effected through the Monopoly Company.

Red Oxide.—The mines on Hormuz Island are controlled by the Ministry of Finance and applications for permits to export have to be obtained from the Ministry.

Tobacco.—This monopoly was formed in 1929 primarily to collect the excise tax on locally grown tobacco. The Monopoly Company have now imported a complete and up-to-date factory for the treatment of the leaf, and the manufacture of cigarettes, cigars, tobacco, snuff and nicotine. The factory, with a certain amount of British machinery, is being erected at Tehran. The import of tobacco in any form is prohibited.

Silk tissues and Cocoons.—In September, 1934, the exclusive right of importing cocoons and of importing silk cloth, in the ratio of $2\frac{1}{2}$ metres of cloth for each kilogram of cocoons exported, was granted to the Iran Trading Corporation. Subsequently a company called the Société par Actions des Soies was formed to operate the monopoly of imports, 50 per cent. of the capital being subscribed by the Agricultural and Industrial Bank, and the Société par Actions des Cocons was formed by the same Bank for the import of silk worm eggs and the improvement of the cocoons.

At an extraordinary meeting of the Société par Actions des Soies on 7th August, 1937, the capital of the Société was reduced from 6 million rials to 900,000 rials.

Cotton Piece Goods.—In October, 1934, the Société par Actions des Cotonnades was formed, with capital subscribed by the Ministry of Finance and the Banque Mellé Iran, to operate the monopoly of the import of cotton piece goods. Licences to import were issued by the Société to piece goods importers, but latterly the system was stopped and bulk purchases were effected in the United Kingdom in the winter of 1936-7 to supplement imports by the Société from the Soviet Union, Japan, etc. The Société now has retail selling shops in Tehran and some of the provinces where piece goods are sold at fixed and low prices. The Société has branches in all the principal towns in Iran. Quite recently the Société decided to sell stocks to dealers with a margin which should enable them to sell at the same prices as the Société's retail shops.

Motor Monopoly.—The Government monopoly of imports of motor vehicles, spare parts, tyres and tubes, became effective as from 27th August, 1936. About the middle of September the Société Centrale was charged with the carrying out of all matters pertaining to this monopoly. The present position would appear to be as follows: Three companies have recently been formed, under the aegis of the Société Centrale, by motor dealers, each company having the right to sell specified makes of cars, lorries, tyres and tubes. These companies can only place orders for their requirements through the Société Centrale, and only for the makes which they have the right to sell. The monopoly affects the import of spares and accessories (apart from tyres and tubes) in so far that importers must obtain permission to import from the Société Centrale.

Cereals.—In July, 1935, a Company for the Stabilisation of Prices of Cereals was formed in Tehran for buying and selling grain in Iran and to sell the surplus abroad in case of necessity. On 9th September, 1936, the export of wheat became a monopoly of the Company. In the spring of 1937 the Company was

taken over by the Ministry of Finance and became a Department in the Ministry.

Carpet Monopoly.—At the end of January, 1936, the monopoly of the exportation of carpets and rugs was accorded to the Société par Actions des Tapis de l'Iran with a capital of rials 30,000,000 (£375,000) the bulk of which was subscribed by the Agricultural and Industrial Bank of Iran. Exporters were, however, allowed to export stocks up to 20th February, 1937, under permits of the Société, after which date exports would only be effected by the Monopoly Company. On 12th April, however, a notice was published to the effect that the exportation was free to all. A licence of the Société des Tapis is, however, necessary and the carpets have to be examined, and sealed by the Société and the Customs. The export of unsuitable carpets will not be permitted.

Playing cards and Silk Stockings.—Société Kala has the monopoly of the importation of these and had the monopoly of the exportation of saffron till August, 1937, when the export was declared to be free.

Cotton, Wool and Skins.—The monopoly of exports is vested in the Société de Coton, Laine et Peaux. Exportation of soft skins (marten, fox, lambskins, etc.) was recently decontrolled but exporters have to pay a tax of 5 per cent. ad valorem at the Customs port of exit.

Jute.—The Société Centrale (Sheraket Merkazi) has the monopoly of transactions in jute.

Rice.—Can only be exported by the "Société par Actions d'Exportation du Riz". The capital of this company was subscribed by the Agricultural and Industrial Bank, the Banque Pahlevi and the Ministry of Finance.

Assafoetida.—The monopoly of the exportation was given in January, 1936, to the Société par Actions d'Assafoetida de l'Iran.

Gum Tragacanth.—The monopoly of export is vested in the Gum Tragacanth Export Company, which was specially formed for this purpose. The company includes many previous private dealers.

Dried Fruit.—The "Sheraket Sehami Sadarat Kolleh Khushkebar" (Dried Fruit Export Company) was in March, 1936, accorded the monopoly of exports of dried fruit. A notice was published by the Department of Commerce in the local Press of 26th September, 1937, to the effect that the right to export will also be accorded to other companies and institutions who will have obtained special sanction from the Department of Commerce.

The Government, through the Agricultural Bank, is financially interested in several other concerns recently formed for development.

Import Quota List for 1937-8.—The import quota list for the economic year 22nd June, 1937, to 21st June, 1938, shows a total of 864,180,000 rials (£10,802,250) as compared with 391,670,000 rials (£4,895,875) in the free quota list for the previous year, but to this amount must be added the periodical additions sanctioned during the year amounting to 266,975,000 rials (£3,337,190). The new list for the current year includes quotas for mineral oils from the Soviet Union and also for cotton piece-goods, sugar, matches, silk worm eggs, cigarette paper and jute sacks, sacking and twine, all of which are monopolies and were not included in previous years. The new list is based in most cases on the previous year's total quotas sanctioned, except in cases where adjustments have been considered necessary.

Up to the end of September it would appear that very few import licences under the new quota had been issued to the Bazaar, probably owing to the lack of exchange.

IV.—INDUSTRY.

Anglo-Iranian Oil Company Limited.—The statistical value of the Company's exports as calculated by the Customs Administration were:—

| | <i>In 1,000 rials.</i> | <i>Per cent.</i> | <i>In 1,000 £</i> |
|--------------------------|------------------------|------------------|-------------------|
| 12 months ending 21-6-35 | 1,396,776 | 72.3 | 18,715 |
| 12 months ending 21-6-36 | 1,296,299 | 66.3 | 14,929 |
| 9 months ending 20-3-37 | 1,033,639 | 66.0 | 12,920 |

Production during the period was:—

| | | | |
|------|-----|-----|--------------------------|
| 1935 | ... | ... | 7,487,697 tons (English) |
| 1936 | ... | ... | 8,198,119 " |
| 1937 | ... | ... | 10,167,795 " |

The amounts paid to the Iranian Government in respect of royalties and tax composition were:—

| | | |
|--------------------|-----|-----------|
| | | <i>£</i> |
| In respect of 1935 | ... | 2,191,921 |
| In respect of 1936 | ... | 2,580,206 |

Distribution of the Company's products in Iran has continued to increase considerably, internal sales during 1935 and 1936 amounting to 96,723 tons and 128,211 tons, respectively.

Amiranian Oil Company.—Concessions for exploitation of oil-fields in North-East Iran, and for the construction of a pipe line to carry oil produced in these fields, were accorded to an American group early in 1937. The two concessions were ratified by Parliament in February. The exploitation will be effected by the Amiranian Oil Company, who already have a staff in the country, and the pipe line will be exploited by the Iranian Pipe-Line Company of the United States of America. The pipe line may transport oils originating in Iran or Afghanistan, the same

group having already obtained similar concessions in the latter country. The Afghan line will presumably join the Iranian line for transport to an outlet on the Gulf of Oman: Charbar is the port commonly anticipated.

Carpets.—Though exports in the last two years have been considerably lower than in previous years, woollen carpets still retain their position of chief exports (excluding oil) of Iran. The lowest figure since 1930 was rials 140,700,000 (£1,748,900) in 1933-4. Exports since then were:—

| | Rials. | £ | Exchange rate. |
|--------------------------|-------------|-----------|-------------------|
| 12 months ending 21-6-35 | 115,273,000 | 1,544,600 | 74.63 |
| 12 months ending 21-6-36 | 119,727,000 | 1,378,870 | 86.83 |
| 9 months ending 20-3-37 | 128,847,000 | 1,610,600 | 80.00 |

The bulk of the exports continues to go to the U.S.A., the United Kingdom and Turkey. Recently considerable quantities have been sent to Germany.

At the end of January, 1936, the monopoly of the exportation of carpets and rugs was accorded to the Société des Tapis de l'Iran but actually carpets have been exported, under permits of the Société, all the time. The Société is more interested in improving the quality and intends to instal new factories in the Sultanabad district with a view to improving the manufacture of carpets suitable for the European and U.S.A. markets.

Large orders for the U.S.A. in the spring caused a welcome revival of the carpet industry in Kerman, where weaving restarted on an extensive scale.

Industrial Development.—Great strides were made in industrial development in the last two years. Since the publication of the previous Report four more sugar refineries have been installed, at Shahabad near Kermanshah, Mervdasht near Shiraz, Mianduab in Western Azerbaidjan and at Meshed. The factory at Shahi is to be removed to Sultanabad as apparently the beet grown near Shahi did not yield a sufficient percentage of sugar. According to a recent Bulletin of the Banque Mellie Iran the production of the eight refineries, in the year ended 20th March, 1937, was approximately as follows:—

| | Kilograms. | | | | | |
|-----------------|------------|-----|-----|-----|-----|------------|
| Karizak | ... | ... | ... | ... | ... | 1,419,321 |
| Keraj | ... | ... | ... | ... | ... | 2,106,000 |
| Shahi... | ... | ... | ... | ... | ... | 2,006,523 |
| Veramin | ... | ... | ... | ... | ... | 2,751,984 |
| Marvdasht | ... | ... | ... | ... | ... | 4,161,916 |
| Shahabad | ... | ... | ... | ... | ... | 2,107,504 |
| Abkouh (Meshed) | ... | ... | ... | ... | ... | 1,599,990 |
| Mianduab | ... | ... | ... | ... | ... | 969,187 |
| | | | | | | 17,082,425 |

as compared with previous total outputs as follows:—

| | | | | <i>Kilograms.</i> |
|-----------------|-----|-----|-----|-------------------|
| 21-3-32—20-3-33 | ... | ... | ... | 2,330,175 |
| 21-3-33—20-3-34 | ... | ... | ... | 987,988 |
| 21-3-34—20-3-35 | ... | ... | ... | 7,955,072 |
| 21-3-35—20-3-36 | ... | ... | ... | 11,243,322 |

Given good crops of beetroot, which the Government is trying to improve, and which are said to be satisfactory this year, Iran should soon be able to produce a fair proportion of the country's requirements.

Textile Mills.—The cotton spinning and weaving industry has made very considerable progress in the last two years. About twenty-four mills have been, or are being, erected with modern machinery, as follows:—

| | | <i>Mills.</i> | <i>Spindles.</i> | <i>Looms.</i> |
|--------------|-----|---------------|------------------|---------------|
| Isfahan | ... | 8 | 39,868 | 290 |
| Isfahan | ... | 1 (thread) | 2,840 | — |
| Shahi | ... | 1 | 25,000 | 150 |
| Semnan | ... | 1 | 3,000 | |
| Meshed | ... | 1 | 10,200 | 150 |
| Qum | ... | 1 | 4,000 | |
| Kerman | ... | 1 | 5,000 | |
| Ahwaz | ... | 1 | 8,800 | |
| Shiraz | ... | 2 | 11,000 | |
| Kazvin | ... | 1 | — | 25 |
| Kashan | ... | 1 | 6,400 | |
| Yezd | ... | 1 | 4,200 | |
| Bandar Abbas | ... | 1 | 5,000 | |
| Tehran | ... | 1 | 4,344 | 60 |
| | | <hr/> 22 | <hr/> 129,652 | <hr/> 675 |

The accuracy in all respects of the details given above is not vouched for.

A new mill is being erected at Bushire with 3,250 spindles and 120 looms, but it is not likely that many more spinning mills will be installed in the near future though looms may be added to some of the established mills.

The silk spinning and weaving mill at Chalous on the Caspian coast was inaugurated recently. It has 8,000 spindles and 224 looms and combines the whole process from the drying of cocoons to the weaving and dyeing of silk.

The jute mill at Resht is being extended and the original installation for spinning and weaving will be doubled. A new jute mill is to be installed at Shahi, and it is possible that another may be put up at Rezaieh (Urmieh).

Other Industries.—The cement factory near Shah-Abdul Azim has been extended to a capacity of 300 tons a day. Calls for

tenders for four new factories were published in October, 1936, but no decisions have as yet been made known.

A *paper* mill is being erected at Isfahan, and a cardboard factory at Karez is already in production.

The *cigarette* factory at Tehran for the Tobacco Monopoly was inaugurated on 27th September, 1937, by His Imperial Majesty the Shah.

A new *match* factory has been installed at Shahroud, and another is projected for Tehran. The large factory at Tabriz which was seriously damaged by fire in 1934 has been repaired and modernised.

A motor driven *flour* mill with a yearly output of 6,000 tons has recently been installed at Kazvin. Another one with daily output capacity of 60,000 kilograms of flour was installed at Tabriz early in 1936.

At Meshed a *fruit canning* factory, privately owned, cans annually some 60,000 tins of Khorassan fruit.

Besides the *tanneries* at Tabriz, leather is made at Meshed, Hamadan, Kazvin and Tehran.

Many other small factories for the manufacture of *beer*, *glass-ware*, *razor blades*, *hosiery*, *galoshes*, *scents*, etc., have been installed.

The *electric power* plant in Tehran has been completed and cable laying is actively proceeding. Electric lighting in the provinces is being improved, as is also the telephone service. Automatic telephones are being installed in Tehran, about 3,000 are already in use.

Since the opening of the exhibition of Iranian industrial and agricultural products in 1934, exhibitions have been held in 1936 and 1937. Improvements and progress were noticeable in each case.

V.— NATURAL RESOURCES.

Agriculture.—The Government's policy of increasing and improving agricultural products continues. Encouragement and financial help is afforded by the Agricultural & Industrial Bank. Considerable areas of Crown Lands in Khuzistan have been handed over to peasant cultivators on easy terms and on condition that the land is cultivated in accordance with the instructions of the Agricultural Department. Barrages are being constructed on the Karoun River and irrigation on a fairly large scale is foreshadowed. There are also projected schemes to make more use of the Zayendi River at Isfahan and the Kara Su near Kermanshah.

The cultivation of cotton is considered of primary importance both for the several spinning mills erected recently and for export. Several gins have been imported for cleaning cotton. According to statistics in a Bulletin of the Banque Mellé Iran the area under cotton cultivation in 1936 was 102,280 hectares and in 1937 it was estimated that 257,500 hectares would be under cultivation.

Beetroot is another important necessity in order to feed the sugar refineries. Foreign seed has been imported in large quantities for cultivation in the proximity of the refineries.

Wheat and barley crops in 1936 were plentiful, and considerable, possibly excessive, quantities were exported. This year's harvest in the Veramin and Khar districts near Tehran was satisfactory, but reports from the provinces, where inclement climatic conditions were harmful, are not all satisfactory and crops will probably fall short of local requirements in certain parts of the country. Exports of grain will, in the circumstances, no doubt be restricted. Silos with cleaning machinery are being erected by the Government in grain centres in order to ensure the proper storage of wheat: the programme provides for 21 silos altogether.

Cultivation of rice in the Isfahan and Shiraz districts has been decreased in the interests of cotton. Exports of rice to the Soviet Union have been considerable this year, and a shortage was felt in the autumn when prices rose considerably. This year's crop is not likely to be more than average.

Tea.—The area under cultivation in Gilan is probably about 5,000 acres, though perhaps not all yielding. According to the Customs Tableau Général the total yield of the northern provinces in the year ended 21st June, 1936, amounted to 600,000 kilogrammes.

Timber.—The export of wood of all sorts has been prohibited for some years. Enquiries from abroad for boxwood and walnut have not been considered. Wood from the Mazandaran forests is used extensively for sleepers for the railway which are produced by a bitumen factory established a year or two ago and said to be capable of an annual output of 300,000 sleepers. Tar and creosote are produced at other installations in the vicinity of the Shemshak coal mines.

Tobacco.—The Tobacco Monopoly Department continue their efforts to increase and improve the cultivation and quality of the leaf in Gilan. Many drying machines are being installed, advances being made to the installers by the Monopoly, repayable in three years. The area under cultivation last year was said to be about 5,200 hectares: it is now estimated to be much

more. The output during the year ended 20th March, 1937, was estimated at 3,630 tons in spite of unfavourable climatic conditions, as compared with 3,564 tons the previous year.

The import of tobacco in any form is prohibited and any sent to Iran is liable to confiscation unless special sanction for the import has previously been obtained from the Government and the Monopoly Department.

Opium.—The production of opium has been officially discouraged and the area under the poppy has in the last 12 months been considerably decreased notably in Fars, Khorassan, Tehran, Aragh, Damghan, Burujird, Hamadan and Kerman-shah. Heavy rains and floods in May caused serious damage to poppy fields in Khorassan.

From statistics published by the Customs Administration the exports of opium in 1934-5 were 132,885 kilogrammes, in 1935-6 271,000 kilogrammes and during the first 11 months of 1936-7 (21st June, 1936, to 21st May, 1937), 215,626 kilogrammes.

Silk Cocoons.—Cocoons this year appear to have been damaged by disease and weather conditions. The estimated yield for the season is said to be about 1,620,000 kilogrammes, which is below average.

Fisheries.—The "Société Mixte des Pêcheries de la Mer Caspienne" has been working for many years in virtue of a concession accorded to an Irano-Soviet Union concern for fishing established near Pahlevi. All the products including caviar are exported to the Soviet Union. According to the Customs Tableau Général exports of fish, fresh and dried, in 1935-6 were valued at rials 7,633,773 and caviar at rials 5,419,026.

A Danish expert has recently been engaged by the Iranian Government to examine fisheries in the Persian Gulf with a view to creating a new fishing industry.

Red Oxide.—The exploitation of the red oxide mines on the Island of Hormuz is in the hands of the Ministry of Finance. Applications for the export of the oxide have to be submitted to the Ministry. In 1936 a concession was given for the exclusive export to India of 3,000 tons, which was fulfilled. Total exports in 1936 amounted to some 13,000 tons.

Coal.—The principal mines are at Shemshak and Zirab, to the north of Tehran. Samples of the coal were sent to Germany for analysis some months ago. Exploitation has recently been started at Abyouneh, about 65 miles north of Isfahan; at Pirneh about 90 miles north of Isfahan and at Turbat-i-Sheikh Jam in Khorassan, near the Afghan frontier. These new mines supply fuel for the cotton mills and paper factory at Isfahan, and the sugar refinery at Meshed. Coal is also produced in Azerbaidjan where industrial expansion at Tabriz, coupled with the rising

cost of firewood, provides a useful market for coal even if the quality is poor.

Minerals.—The mineral wealth of Iran has not been sufficiently exploited, and steps are now being taken by the Department of Industries and Mines to interest companies and individuals, both Iranian and foreign, in the exploitation of the subterranean resources, which include lead, copper, antimony, manganese, sulphur, iron, gold, silver, tin, zinc, etc. A contract for the exploitation of various deposits at Semnan and the installation of blast furnaces has recently been the subject of negotiations with foreign groups. At Anarek, about 120 miles north of Yezd, deposits of copper ore, including nickel, antimony and cobalt, are under exploitation and traces of gold have been found in the same area. A new refining plant was erected near Tehran in 1936.

Miscellaneous.—Turquoises, chiefly in Khorassan, and other precious stones are mined and exported. Pearl fishing is carried on in the Persian Gulf.

VI.—TRANSPORT AND COMMUNICATIONS.

Roads.—Generally speaking the main roads in Iran are well maintained, but are sometimes blocked by snow in winter and washed out in susceptible parts by floods in spring. Careful driving is essential in the mountain passes where sharp bends occur frequently and lorry traffic is often heavy. On this account private cars are using more and more the Chalous Road, which is not used by commercial vehicles, in preference to the Kazvin-Menjil road, for the trip to Pahlevi from Tehran and vice-versa. The coastal road between Chalous and Pahlevi has been greatly improved with new bridges and culverts and the longer distance is counterbalanced by the better and more pleasant conditions; there are good hotels at Chalous and at Ramsar. The tunnel through the Kendouan Mountain, about 1,500 feet below the highest point of the Chalous Road, has not yet been completed.

A new road is now open to traffic linking up Ahwaz and Shiraz, joining the Bushire-Shiraz road at Kazeroun. Another new road connects Kerman with Charbar, on the Gulf of Oman, via Bam, Rahmatabad and Bampour. Another new road projected is from Isfahan to Do Roud on the railway, south of Burujird. The alignment will probably be Khonsar, Feridun, Nadjatabad and Ezna.

Turkish activity on the Trebizond road has recently been evident and merchandise is arriving by motor transport at Tabriz in good time.

Road Transport.—The bulk of the transport is carried by motor vehicles, mostly by privately owned vehicles using

garages in the larger towns. New regulations regarding transport and garages were published in May, 1937. Police permission must be obtained for the establishment of transport offices, repair shops and public garages. The procedure to be followed in respect of tickets, roadbills, carrying of passengers and merchandise etc., the necessity of repair shops and fire extinguishers in the garages, and other requirements to ensure better service are embodied in the regulations.

Transport Rates.—In view of fluctuating rates the Police Department, with the approval of a special commission, fixed in January, 1936, maximum rates on all roads and for all seasons. These rates not proving satisfactory, a new tariff was published in April, 1936, fixing rates at from 30 dinars (nearly one penny) to 75 dinars (2½d.) per ton kilometre according to distances.

Freight rates on the Northern Section of the railway, according to publications in the local press, are as follows:—

| | |
|--------------------|--|
| Grande vitesse ... | ... 65 dinars (about 2d.) per ton kilometre |
| Vitesse moyenne... | ... 50 dinars (about 1½d.) per ton kilometre |
| Petite vitesse ... | ... 35 dinars (about 1d.) per ton kilometre |

Railways.—North-South Railway.—Construction on the Trans-Iranian Railway has progressed rapidly in the last two years. The northern section, Bandar Shah to Tehran a line of 461 kilometres (288 miles), was officially opened by His Imperial Majesty the Shah at the station at Tehran on 19th February, 1937. A regular service between Tehran and Bandar Shah was started on 5th June. According to the local press the cost of this section was 810,588,000 rials (£10,132,350 at the present fixed rate of 80 rials to the £), the cost per kilometre being estimated at about £23,000.

In the southern section rails have been laid up to kilometre 344, which is about seven kilometres beyond the station of Saleh Zendj which is at kilometre 337·5 from Bandar Shahpour and up to which station trains are already running. The heavy work including many tunnels through the mountainous region between Burujird and Salehabad is expected to be completed at about the end of 1938, by which time the section Tehran-Qum-Sultanabad-Do Roud (previously Bahrein at kilometre 462·5 from Bandar Shahpour) should be ready. Rails on this section have been laid from Tehran to Ahmadabad, 148·5 kilometres from Tehran and about 32·5 kilometres from Qum. The whole line of about 1,390 kilometres should be under exploitation in 1939.

Expenditure on the railway since its inception in 1928 till 20th March, 1934 amounted to 642,917,562 rials, or at a nominal rate of 80 rials to the £ approximately £8,036,600. Since then

no details have been published, but provision for the railway in the ordinary and extraordinary budgets have been as follows:—

| | <i>Rials.</i> | <i>£</i> | | <i>£</i> |
|---------|-----------------|--------------|-----|-------------|
| 1934-35 | ... 180,000,000 | (2,412,000) | and | 550,000 |
| 1935-36 | ... 300,000,000 | (3,455,000) | and | 600,000 |
| 1936-37 | ... 300,000,000 | (3,750,000) | and | 1,000,000 |
| 1937-38 | ... 440,000,000 | (5,500,000) | and | 1,000,000 |
| | <hr/> <hr/> | <hr/> <hr/> | | <hr/> <hr/> |
| | 1,220,000,000 | (15,117,000) | and | 3,150,000 |

giving an approximate total sterling amount of £18,267,000. Adding to this the 1934 figures of £8,036,600 and a rough estimate for 1938-9 of £2,250,000 the grand total would be in the neighbourhood of £28·5 million pounds for the complete railway.

On completion of this first important Trans-Iranian line, construction of a line from Tehran to Tabriz is envisaged with a view to linking up with the Turkish railway to be built up to the Iranian frontier, possibly at Qotur. The Tabriz-Julfa Railway already has a branch from Sofian to Sharaf Khaneh, on the north of Lake Urmia, which will probably be extended to Qotur through Khoi.

Ports.—The new harbour at No Shahr (formerly Habibabad) at the end of the Chalous Road on the Caspian Sea is still under construction and is expected to be completed in 1938.

At Khorramoussa, near Bandar Shahpour on the Persian Gulf, a large repair dock was inaugurated by His Imperial Majesty the Shah in March, 1937. Accommodation and equipment at Bandar Shahpour would appear at present to be inadequate for the increasing traffic at this port, the southern terminus of the Trans-Iranian Railway, but improvements are already in hand.

Civil Aviation.—There is at present no civil aviation in Iran,* but a service is contemplated between Tehran and Baghdad, Tehran and Bushire and possibly other routes, as well as a line to Turkey, which was the subject of an air convention between Iran and Turkey signed at Tehran in April, 1937.

VII.—SOCIAL QUESTIONS.

Cost of Living.—Prices of practically every commodity, both local produce and imported articles, have risen considerably in the last two years. In view of the difficulty of trading by individuals much money has been put into land the price of which in certain quarters has more than trebled in the last few years. House building and rents have naturally gone up

* See footnote on p. vi.

steadily. Dress reform added further necessary expenditure to all classes. The drain of taxation was severe in a period when trade, if not monopolised, was difficult for individuals owing to monopoly restrictions and regulations and the control of exchange.

Standard of Living.—Wages have gone up in Tehran, in the larger industrial towns and along the railway alignment, but the prices of many commodities have risen and the new municipal octroi taxes recently imposed in the provinces may also affect the cost of living.

Employment.—No figures are available in respect of unemployment. Except for carpet weavers, and here recent increases in exports of carpets may improve the situation, the figures should not be large. Artisans and skilled labourers are fully occupied with the Government's progressive programme, and the unemployment problem should not be serious so long as there is no relaxation in development.

Education.—Much has been accomplished in the educational line. The University at Tehran will soon be completed: many schools are being established all over the country; night classes are open for illiterates and seem popular. Students are sent abroad in order to follow courses in special subjects. Boy and girl scouts receive special attention and games and physical exercises are encouraged.

Health and Hygiene.—The Department of Health is giving much attention to the question of public health and hygiene. Malaria is still rife but an active campaign against mosquito larvae is now on foot.

There are several Government hospitals disposing of about five or six hundred beds in Tehran, and a fair number in the provinces, besides other small private hospitals and clinics. Though the equipment may be restricted modern apparatus is not so rare as it used to be. In Tehran there are about 300 doctors, but the smaller towns are not so well provided for.

A new sanatorium for tubercular cases, with 50 beds, was recently opened at Shahabad in Shimran.

Cinemas.—Cinemas are plentiful in Tehran, the better ones of which show fairly good talkie films. The ones mostly patronised by the foreign community are the Iran, Maiak, Palace and Homay. Most of the more important provincial towns have one or two cinemas.

There is no broadcasting in Iran as yet, but wireless sets (receiving only) are gaining in popularity and the number is increasing, particularly in Tehran.

Municipal Improvements.—The principal streets of Tehran are either asphalted or paved and most of the larger towns in the provinces have carried out reconstruction. Many of the Government Ministries, Police Head Quarters and the Arsenal, now occupy new and roomy premises and the Head Office of the Banque Mellie Iran presents an imposing façade on the Ferdouci Avenue. A National Theatre is being constructed and a Stock Exchange is to be built. Houses on modern lines are being built, especially to the north of the town. A large power plant has been erected in Tehran which will in due course provide suitable current for the town. Most provincial towns have electric light and a telephone service.

VIII.--LEGISLATION AND TREATIES.

Legislation.—Regulations for the execution of the law of 10th May, 1932, concerning the disposal of estates of foreigners in Iran were published in the Official Gazette of the Ministry of Justice on 6th February, 1936.

On 28th February, 1936, the Department of Commerce published a notice in the local press to the effect that as from 21st April, 1936, certificates of origin signed by competent authorities in the country of origin should be attached to invoices relative to all goods exported to Iran.

The law for the control of foreign exchange came into force on 1st March, 1936.

A bill with regard to road transport and the opening of garages was passed on 29th December, 1935. Regulations were published on 8th February, 1936. On 25th March, 1936, transport rates were fixed per ton kilometre according to specified distances. New regulations consisting of 44 Articles concerning transport establishments, repair shops and public garages were approved on 1st May, 1937, and published on 20th June.

The law concerning the new Customs Tariff, to come into force on 22nd May, 1936, was ratified on 21st May, 1936.

A decision was taken by the Council of Ministers in July, 1936, for the opening of schools for adults.

The Irano-German Payment Clearing Convention of 30th October, 1935, was ratified at Tehran on 23rd August, 1936.

On 3rd October, 1936, a decree was approved regarding the position of insurance companies in Iran. Certain Articles in this not being quite clear insurance business was allowed to go on as before pending decisions to be taken. New regulations may be issued shortly.

A new income tax law was passed on 3rd November, 1936, affecting persons residing in Iran and receiving income from abroad.

On the 7th July, 1937, the Council of Ministers approved a regulation governing and restricting the use of foreign words and characters in publications, official correspondence, trade marks, names of firms etc., and laying down that all Ministries, Administrative Departments, public institutions, banks and firms, either Iranian or foreign, will have to keep their books, and conduct all their internal correspondence, in the Persian language and script. The names of business houses must be Persian, except in certain special cases where the personal names of partners or proprietors are bound by law to appear in the firm's title. Trade marks, which must conform to the law after expiration of their present patent, must exclude foreign language and script, and must exhibit pictures of national subjects only. But, where goods are for export, foreign language may be added round the central Persian text. Among the exceptions made in favour of foreign languages and scripts are publications for use abroad (e.g., guide books), Doctor's prescriptions (which may be in Latin script where Persian would give rise to confusion), scientific and technical terms, foreign language in the text of cinematograph films incorporated therein at the factory, and declaration forms in connection with aviation, navigation and residence of foreigners.

Treaties.

1935.

August 7th ... Commercial Agreement with Syria.
 August 27th ... Treaty of Establishment, Commerce and Navigation with
 U.S.S.R.
 October 17th... Convention dealing with Veterinary questions and measures
 to be taken against locusts and parasites.
 October 30th... Convention for payments between Germany and Iran.

1936.

March 18th ... Treaty of Friendship with Austrian Republic.
 September 23rd Treaty of Friendship and Arbitration between Iran and
 Austria.

1937.

March 18th ... Treaty of Friendship between Iran and Argentina.
 March 24th ... Treaty of Friendship between Iran and Mexico.
 April 22nd ... The following Conventions with Turkey :—
 1. Establishment.
 2. Frontier Security.
 3. Judicial Assistance.
 4. Residence.
 5. Customs Regulations.
 6. Telegraphs and Telephones.
 7. Aviation.
 8. Transit and transport on the Trebizond-Tabriz road.
 9. Veterinary.
 10. Commerce and Navigation.
 July 4th ... Frontier Treaty between Iran and Iraq.
 July 8th ... Four Power Pact signed at Saad-abad by Iran, Afghanistan,
 Iraq and Turkey.
 July 18th ... Treaty of Friendship between Iran and Iraq.
 July 24th ... Treaty of Arbitration between Iran and Iraq.

APPENDIX I.

IRAN'S FOREIGN TRADE DURING THE YEARS 1313-1315 (22 JUNE, 1934-
21 JUNE, 1936).
(*In thousands of rials.*)

| | 1313-1314. June, 1934-June, 1935. | | 1314-1315. June, 1935-June, 1936. | |
|------------------------|--------------------------------------|------------|--------------------------------------|------------|
| | Imports. | Exports. | Imports. | Exports. |
| Live animals | 1,017 | 16,638 | 693 | 22,940 |
| Food and drinks ... | 107,668 | 109,038 | 121,244 | 151,809 |
| Raw materials ... | 91,341 | 257,814 | 151,320 | 286,192 |
| Made-up goods ... | 404,234 | 129,622 | 529,667 | 134,234 |
| Bullion and specie ... | 44,532 | 635 | 909 | 51,464 |
| | 648,792 | 513,747 | 803,833 | 646,639 |
| | @ 74·63 | | @ 86·83 | |
| | £8,693,447 | £6,883,923 | £9,257,555 | £7,447,195 |

The above figures do not include non-dutiable imports amounting to rials 225,596,796 in 1935-36, and rials 174,822,178 in 1934-35, and exports of the Anglo-Iranian Oil Company and the Caspian Sea Fisheries.

APPENDIX II.

IMPORTS.

(*In thousands of rials.*)

| Chief countries of origin. | 1934-1935. | | 1935-1936. | |
|----------------------------|------------|------------------------------|------------|------------------------------|
| | Value. | Percentage of total imports. | Value. | Percentage of total imports. |
| U.S.S.R.... | 193,048 | 29·7 | 241,108 | 30·0 |
| United Kingdom ... | 94,809 | 14·6 | 84,905 | 10·5 |
| U.S.A. | 66,588 | 10·2 | 83,247 | 10·3 |
| Germany ... | 59,254 | 9·1 | 119,112 | 14·8 |
| India | 55,838 | 8·6 | 56,530 | 7·0 |
| Japan | 54,825 | 8·4 | 78,274 | 9·7 |
| Belgium ... | 28,842 | 4·4 | 23,252 | 2·9 |
| Czechoslovakia ... | 22,483 | 3·4 | 19,634 | 2·2 |
| France ... | 19,432 | 3·0 | 40,614 | 5·0 |
| Sweden ... | 14,416 | 2·2 | 9,977 | 1·1 |
| Italy | 8,396 | 1·1 | 8,558 | 1·1 |
| Total all countries ... | 648,792 | | 803,833 | |

See Note to Appendix I.

APPENDIX III.
EXPORTS.
(In thousands of rials.)

| Chief countries of origin. | 1934-1935. | | 1935-1936. | |
|----------------------------|------------|------------------------------|------------|------------------------------|
| | Value. | Percentage of total exports. | Value. | Percentage of total exports. |
| U.S.S.R.... | 202,911 | 39.5 | 186,489 | 28.8 |
| United Kingdom | 50,418 | 9.8 | 132,723* | 20.5 |
| U.S.A. | 59,019 | 11.3 | 59,248 | 9.1 |
| India | 50,949 | 9.9 | 54,805 | 8.5 |
| Germany | 44,444 | 8.6 | 82,695 | 12.8 |
| Japan | 9,042 | 1.7 | 8,200 | 1.3 |
| Belgium.... | 2,664 | .5 | 7,867 | 1.2 |
| Iraq | 29,188 | 5.7 | 23,106 | 3.6 |
| Turkey | 11,421 | 2.2 | 10,369 | 1.6 |
| France | 5,302 | 1.0 | 11,608 | 1.8 |
| Sweden | 6,580 | 1.2 | 11,602 | 1.8 |
| Total all countries ... | 513,747 | | 646,640 | |

The above figures do not include exports of the Anglo-Iranian Oil Company and of the Caspian Sea Fisheries.

* Includes rials 51,020,981 of silver.

APPENDIX IV.
TOTAL TRADE: IMPORTS AND EXPORTS.
(In thousands of rials.)

| Chief countries trading with Iran. | 1934-1935. | | 1935-1936. | |
|------------------------------------|------------|----------------------------|------------|----------------------------|
| | Value. | Percentage of total trade. | Value. | Percentage of total trade. |
| U.S.S.R.... | 395,960 | 34.0 | 427,598 | 29.5 |
| United Kingdom | 145,227 | 12.5 | 217,628 | 15.0 |
| U.S.A. | 125,607 | 10.8 | 142,495 | 9.8 |
| India | 106,787 | 9.0 | 111,335 | 7.7 |
| Germany | 103,698 | 8.9 | 201,807 | 13.9 |
| Japan | 63,867 | 5.5 | 86,474 | 5.9 |
| Belgium.... | 31,506 | 2.7 | 31,118 | 2.1 |
| Iraq | 29,953 | 2.6 | 24,438 | 1.7 |
| Czechoslovakia... | 25,553 | 2.2 | 23,280 | 1.6 |
| France | 24,734 | 2.1 | 52,222 | 3.6 |
| Sweden | 20,995 | 1.8 | 21,579 | 1.4 |
| Turkey | 12,501 | 1.1 | 10,759 | .7 |
| Italy | 12,333 | 1.0 | 9,994 | .7 |
| Total all countries ... | 1,162,539 | | 1,450,473 | |

These figures do not include duty-free imports and exports of the Anglo-Iranian Oil Company and the Caspian Sea Fisheries.

APPENDIX V.

CHIEF ARTICLES OF IMPORT.

| Commodities. | Years. | Value in Per cent. | | Chief sources. Value in 1,000 rials. |
|---|-----------------|--------------------|-----------|---|
| | | 1,000 rials. | of total. | |
| Cotton piece goods | 1934-35 | 133,705 | 20.6 | U.S.S.R. 73,020; Japan 41,110; United Kingdom 11,420; India 5,070. |
| | 1935-36 | 163,185 | 20.3 | U.S.S.R. 81,980; Japan 52,710; United Kingdom 14,910; India 8,260. |
| Vehicles of all sorts, tyres and other spare parts. | 1934-35 | 84,973 | 13.1 | U.S.A. 60,365; United Kingdom 9,147; U.S.S.R. 3,774; Belgium 3,022; France 2,900; Germany 1,899. |
| | 1935-36 | 101,507 | 12.6 | U.S.A. 68,112; United Kingdom 20,083; France 5,539; Germany 3,198. |
| Sugar | 1934-35 | 52,069 | 8.0 | U.S.S.R. 29,175; Belgium 13,566; Java 3,560; Egypt 3,224. |
| | 1935-36 | 63,116 | 7.8 | U.S.S.R. 57,666; Egypt 3,105; Belgium 1,728. |
| Machinery, tools, etc. | 1934-35 | 46,137 | 7.1 | Czechoslovakia 14,701; Germany 14,003; United Kingdom 8,772; France 1,989; U.S.S.R. 1,627. |
| | 1935-36 | 81,374 | 10.1 | Germany 30,354; United Kingdom 17,608; Czechoslovakia 11,248; U.S.A. 5,413; U.S.S.R. 4,187; France 3,975. |
| Tea | 1934-35 | 47,243 | 7.3 | India 36,914; Java 5,841; Japan 2,605; Ceylon 1,783. |
| | 1935-36 | 41,925 | 5.2 | India 32,649; Java 5,377; Japan 2,637; Ceylon 1,263. |
| Cement | 1934-35 | 17,951 | 2.8 | U.S.S.R. 13,485; Sweden 4,101. |
| | 1935-36 | 38,160 | 4.7 | U.S.S.R. 23,320; Japan 10,428; Yugoslavia 4,062. |

APPENDIX V.—*contd.*

| Commodities. | Years. | Value in Per cent. | | Chief sources. Value in 1,000 rials. |
|--|---------|--------------------|--------|---|
| | | 1,000 rials. | total. | |
| Railway material... | 1934-35 | 5,020 | •8 | U.S.S.R. 1,774 ; Germany 1,051 ; Belgium 802. |
| | 1935-36 | 29,652 | 3·7 | France 12,449 ; Germany 10,695 ; Belgium 2,974 ; U.S.S.R. 1,325. |
| Metals : Iron, steel, tin, etc., in bars and for construction. | 1934-35 | 35,952 | 5·5 | U.S.S.R. 12,410 ; Germany 10,120 ; Czechoslovakia 4,120 ; United Kingdom 3,290 ; Belgium 2,190. |
| | 1935-36 | 45,145 | 5·6 | U.S.S.R. 17,340 ; Germany 9,730 ; Czechoslovakia 3,580 ; United Kingdom 3,000 ; Belgium 2,640 ; Sweden 2,520. |
| Haberdashery and hardware. | 1934-35 | 18,180 | 2·8 | Germany 7,060 ; United Kingdom 3,150 ; Japan 2,340 ; U.S.A. 1,450 ; France 1,220. |
| | 1935-36 | 28,600 | 3·5 | Germany 14,940 ; United Kingdom 4,590 ; Japan 2,423 ; France 1,230 ; U.S.A. 1,010. |
| Woollens ... | 1934-35 | 10,005 | 1·5 | United Kingdom 3,118 ; Belgium 2,186 ; Italy 2,165 ; France 1,434. |
| | 1935-36 | 19,462 | 2·4 | United Kingdom 6,621 ; Belgium 4,389 ; France 2,920 ; Italy 1,618 ; Germany 1,445. |

N.B.—These figures do not include imports admitted free of duty.

APPENDIX VI.

CHIEF ARTICLES OF EXPORT.

| Commodities. | Years. | Value in 1,000 rials. | Per cent. of total. | Chief markets. | |
|-----------------|---------|-----------------------------|---------------------------|---|--|
| | | | | Value in 1,000 rials. | |
| Mineral oils | 1934-35 | 1,396,776 | 72.3 | United Kingdom 646,125 ; Egypt 180,576 ; Italy 88,808 ; Aden 81,556 ; India 56,192. | |
| | 1935-36 | 1,296,299 | 66.3 | United Kingdom 550,034 ; Egypt 235,176 ; Aden 94,832 ; Union of South Africa 82,423 ; India 68,045. | |
| Woollen carpets | 1934-35 | 115,273 | 5.9 | U.S.A. 43,944 ; United Kingdom 24,212 ; Turkey 11,152 ; Iraq 9,041. | |
| | 1935-36 | 119,727 | 6.1 | U.S.A. 47,835 ; United Kingdom 26,071 ; Turkey 10,247 ; Iraq 6,134. | |
| Raw cotton | 1934-35 | 95,055 | 4.9 | U.S.S.R. 73,753 ; Germany 11,585. | |
| | 1935-36 | 65,620 | 3.3 | U.S.S.R. 56,033 ; Germany 8,302. | |
| Raw wool | 1934-35 | 29,416 | 1.5 | U.S.S.R. 28,246. | |
| | 1935-36 | 39,517 | 2.0 | U.S.S.R. 28,659 ; Germany 8,929. | |
| Lambskins | 1934-35 | 28,269 | 1.4 | U.S.S.R. 18,318 ; United Kingdom 7,897. | |
| | 1935-36 | 35,858 | 1.9 | U.S.S.R. 21,171 ; United Kingdom 8,649. | |
| Gum Tragacanth | 1934-35 | 25,048 | 1.3 | U.S.S.R. 7,427 ; United Kingdom 6,059 ; U.S.A. 3,394 ; Iraq 2,181 ; India 2,100. | |
| | 1935-36 | 32,804 | 1.7 | United Kingdom 8,706 ; Germany 5,769 ; U.S.S.R. 5,580 ; U.S.A. 3,681 ; Japan 3,192 ; Sweden 2,466. | |
| Rice | 1934-35 | 25,026 | 1.2 | U.S.S.R. 24,961. | |
| | 1935-36 | 23,164 | 1.1 | U.S.S.R. 22,815. | |
| Sheep casing | 1934-35 | 23,761 | 1.2 | Germany 9,379 ; U.S.A. 9,115 ; U.S.S.R. 2,010 ; Austria 1,068. | |
| | 1935-36 | 24,245 | 1.2 | Germany 17,179 ; U.S.A. 2,840 ; Austria 1,136. | |

APPENDIX VI.—*contd.*

| Commodities. | Years. | Value in 1,000 rials. | Per cent. of total. | Chief markets. | |
|------------------|--------------|-----------------------------|---------------------------|---|--|
| | | | | Value in 1,000 rials. | |
| Raisins ... | 1934-35 | 17,858 | ·9 | U.S.S.R. 6,688 ; Germany 5,800 ; Holland 1,662 ; United Kingdom 1,350. | |
| | 1935-36 | 18,671 | ·9 | U.S.S.R. 11,128 ; Germany 1,782 ; United Kingdom 1,543 ; Holland 1,434. | |
| Almonds... | ..., 1934-35 | 24,770 | 1·3 | India 17,326 ; U.S.S.R. 2,908 ; Sweden 1,530 ; United Kingdom 1,066. | |
| | 1935-36 | 49,326 | 2·5 | India 17,102 ; United Kingdom 18,490 ; U.S.S.R. 3,487 ; Sweden 3,384. | |
| Fish ... | 1934-35 | 13,423 | ·7 | U.S.S.R. 12,777 ; + Caviar 7,971. | |
| | 1935-36 | 13,580 | ·7 | U.S.S.R. 7,633 ; + Caviar 5,419. | |
| Opium ... | 1934-35 | 12,116 | ·6 | China 3,900 ; Japan 3,126 ; Macao 1,495 ; France 1,138 ; Germany 1,170. | |
| | 1935-36 | 33,929 | 1·7 | British Malay 10,158 ; China 9,897 ; Japan 4,524 ; Germany 4,713 ; France 1,982 ; United Kingdom 1,724. | |
| Unprepared skins | 1934-35 | 15,834 | ·8 | U.S.S.R. 11,863 ; United Kingdom 2,075. | |
| | 1935-36 | 14,816 | ·6 | U.S.S.R. 10,110 ; United Kingdom 1,784. | |
| Live animals ... | 1934-35 | 16,638 | ·9 | U.S.S.R. 12,768 ; Iraq 3,550. | |
| | 1935-36 | 22,839 | 1·1 | U.S.S.R. 20,965. | |

APPENDIX VII.

PRINCIPAL IMPORTS INTO IRAN FROM UNITED KINGDOM (EXCLUSIVE OF NON-DUTIABLE IMPORTS).

| | | | 1934-35. In 1,000 rials. | 1935-36. In 1,000 rials. |
|---|-----|-----|-----------------------------|-----------------------------|
| Gold in ingots | ... | ... | 42,810 | — |
| Cotton piece goods | ... | ... | 11,422 | 14,910 |
| Agricultural and industrial machinery | ... | ... | 4,332 | 13,561 |
| Cars, lorries and buses | ... | ... | 5,257 | 12,810 |
| Woollens | ... | ... | 3,118 | 6,621 |
| Woollen and cotton mixtures | ... | ... | 2,399 | 2,625 |
| Railway waggons and locomotive spares | | | 3,444 | 296 |
| Metals in bars, etc., and for construction | | | 3,046 | 2,320 |
| Tyres, tubes and accessories | ... | ... | 1,913 | 5,054 |
| Cycles | ... | ... | 1,557 | 2,038 |
| Haberdashery | ... | ... | 539 | 1,432 |
| Total imports exclusive of non- dutiable imports | ... | ... | 94,809 (£1,270,394) | 84,905 (£977,834) |

PRINCIPAL IMPORTS INTO IRAN FROM BRITISH INDIA (EXCLUSIVE OF NON-DUTIABLE IMPORTS).

| | | | | |
|---|-----|-----|----------------------|----------------------|
| Tea | ... | ... | 36,914 | 32,649 |
| Cotton piece goods | ... | ... | 5,072 | 8,260 |
| Cotton yarns | ... | ... | 4,067 | 22 |
| Pepper | ... | ... | 1,837 | 6,717 |
| Sacking | ... | ... | 1,761 | 489 |
| Curry | ... | ... | 1,221 | 1,671 |
| Raw hides | ... | ... | 426 | 1,017 |
| Coffee | ... | ... | 375 | 496 |
| Cardemon | ... | ... | 323 | 281 |
| Total imports exclusive of non- dutiable imports | ... | ... | 55,838 (£748,200) | 56,530 (£651,048) |

APPENDIX VII.—*contd.*

PRINCIPAL EXPORTS FROM IRAN TO THE UNITED KINGDOM.

| | | | 1934-35. In 1,000 rials. | 1935-36. In 1,000 rials. |
|-------------------------|-----|-----|-----------------------------|-----------------------------|
| A.I.O.C. oil products | ... | ... | 646,125 | 550,034 |
| Woollen carpets | ... | ... | 22,771 | 26,083 |
| Lamb skins for furring | ... | ... | 7,897 | 8,642 |
| Gum Tragacanth | ... | ... | 6,058 | 8,706 |
| Other carpets | ... | ... | 2,979 | 628 |
| Fruit, fresh or dried | ... | ... | 2,617 | 21,212 |
| Other raw skins | ... | ... | 2,397 | 2,191 |
| Dates | ... | ... | 2,220 | 1,723 |
| Red oxide | ... | ... | 1,053 | 1,673 |
| Poppy seeds | ... | ... | 280 | 139 |
| Sheep casings | ... | ... | 267 | 1,545 |
| Wheat and barley | ... | ... | — | 6,364 |
| Raw silk | ... | ... | 55 | 563 |
| Silver in bars and coin | ... | ... | — | 51,021 |
| Total Exports | ... | ... | 696,543 (£9,333,279) | 682,757 (£7,863,143) |

PRINCIPAL EXPORTS TO BRITISH INDIA.

| | | | | |
|-------------------------|-----|-----|-------------------------|-------------------------|
| A.I.O.C. oil products | ... | ... | 56,192 | 68,046 |
| Fruit, fresh or dried | ... | ... | 23,948 | 25,266 |
| Carpets | ... | ... | 5,430 | 6,289 |
| Tissues of all sorts | ... | ... | 3,382 | 3,083 |
| Poppy seeds | ... | ... | 3,077 | 4,484 |
| Cumin | ... | ... | 2,960 | 3,263 |
| Raw cotton | ... | ... | 2,347 | 960 |
| Gum Tragacanth | ... | ... | 2,100 | 789 |
| Assafoetida | ... | ... | 1,750 | 2,122 |
| Raw skins | ... | ... | 978 | 1,780 |
| Butter, fresh or salted | ... | ... | 383 | 250 |
| Fish, dried or salted | ... | ... | 342 | 724 |
| Raw wool | ... | ... | 328 | 791 |
| Red oxide | ... | ... | 227 | 1,287 |
| Total Exports | ... | ... | 107,141 (£1,435,635) | 122,850 (£1,414,841) |

APPENDIX VIII.

AGRICULTURAL PRODUCE, 1934-1935.

(Extracted from a publication by the Department of Agriculture.)

| Produce. | Area hectares. | Crop. |
|-----------------------|-------------------|-----------------|
| Wheat ... | 1,804,143 | 1,930,659 tons |
| Barley ... | 691,197 | 761,066 " |
| Unhusked rice ... | 254,016 | 526,563 " |
| Dates ... | — | 126,452 " |
| Dried fruit ... | — | 21,797 " |
| Nuts ... | — | 44,300 kilos |
| Pistachios ... | — | 4,321,363 " |
| Raisins ... | — | 61,478 tons |
| Unshelled almonds ... | — | 10,492 " |
| Cotton ... | 96,337 | 92,589 " |
| Cocoons ... | — | 1,894,583 kilos |
| Jute ... | 2,968 | 3,680 tons |
| Beetroot ... | 6,174 | 60,284 " |
| Tobacco ... | 10,167 | 16,180 " |
| Tambaku ... | 2,442 | 6,592 " |
| Opium ... | 29,475 | 479,893 kilos |
| Castor ... | 1,130 | 3,353 tons |
| Sesame ... | 1,934 | 5,524 " |
| Gum Tragacanth ... | — | 1,100,589 kilos |
| Assafoetida ... | — | 1,209,900 " |
| Tea ... | 1,900 | 787,650 " |

LIVESTOCK (1934-35).

| | |
|--------------------|------------|
| Horses ... | 189,030 |
| Mares ... | 165,498 |
| Donkeys ... | 1,134,548 |
| Mules ... | 52,865 |
| Bulls and oxen ... | 1,257,433 |
| Cows ... | 1,039,324 |
| Sheep ... | 16,018,615 |
| Goats ... | 6,821,457 |

NOTE.—The above returns, though probably not wholly accurate, give an approximate notion of the situation.

APPENDIX IX.

AVERAGE MONTHLY BUYING RATES FOR DRAFTS ON LONDON.

| | | 1935. | 1936. | 1937. |
|----------------|-----|-------|-------|-------|
| January | ... | 74.75 | 94.60 | 80 |
| February | ... | 74.30 | 98.72 | 80 |
| March | ... | 68.45 | 80 | 80 |
| April | ... | 55.85 | 80 | 80 |
| May... | ... | 59.15 | 80 | 80 |
| June | ... | 79.70 | 80 | 80 |
| July... | ... | 85.15 | 80 | 80 |
| August | ... | 90.81 | 80 | 80 |
| September | ... | 86.70 | 80 | 80 |
| October | ... | 86.25 | 80 | |
| November | ... | 86.78 | 80 | |
| December | ... | 90.83 | 80 | |
| Yearly average | ... | 78.23 | 82.77 | |

Exchange was controlled as from 1st March, 1936, the rates of the banks authorised to buy and sell exchange under permits of the Exchange Control Commission were fixed at 80 rials buying and 80.50 rials selling per £.

The following is a list of the reports by H.M. Trade Commissioners, Commercial Diplomatic Officers and Consular Officers on the commercial, industrial and financial conditions in the undermentioned countries, published for the Department of Overseas Trade by His Majesty's Stationery Office during recent years, and in the case of the current year either issued or under contemplation at the time of the publication of this report.

A.—1936*

| No. | No. |
|-------------------------------|--------------------------------------|
| 655 Canada ... | ... 3s. 6d. (3s. 9d.) |
| 636 Estonia ... | ... 9d. (10d.) |
| 635 Finland ... | ... 1s. 3d. (1s. 5d.) |
| 641 Germany ... | ... 5s. od. (5s. 5d.) |
| 658 India ... | ... 3s. 6d. (3s. 9d.) |
| 653 Japan ... | ... 2s. 6d. (2s. 8d.) |
| 632 Lithuania ... | ... 9d. (10d.) |
| 642 Mexico ... | ... 1s. od. (1s. 1d.) |
| 657 Norway ... | ... 2s. od. (2s. 2d.) |
| 645 Panama and Costa Rica ... | ... 1s. od. (1s. 1d.) |
| | 652 Portugal ... |
| | ... 1s. 6d. (1s. 8d.) |
| | 631 Salvador ... |
| | ... 6d. (7d.) |
| | 633 South Africa ... |
| | 1s. 3d. (1s. 5d.) |
| | 634 S. and N. Rhodesia and Nyasaland |
| | 1s. 3d. (1s. 5d.) |
| | 640 Switzerland ... |
| | 1s. 3d. (1s. 5d.) |
| | 650 Syria ... |
| | ... 9d. (10d.) |
| | 628 Uruguay ... |
| | ... 9d. (10d.) |
| | 649 Yugoslavia ... |
| | 1s. od. (1s. 1d.) |

B.—1937*

| No. | No. |
|-------------------------|-----------------------|
| 681 Algeria ... | ... 9d. (10d.) |
| 667 Angola ... | ... 9d. (10d.) |
| 683 Argentine ... | ... 4s. od. (4s. 3d.) |
| 680 Belgium ... | ... 2s. od. (2s. 2d.) |
| 685 British East Africa | 1s. 6d. (1s. 8d.) |
| 688 British West Indies | 2s. od. (2s. 2d.) |
| 671 Bulgaria ... | ... 1s. od. (1s. 1d.) |
| 677 Chile ... | ... 1s. od. (1s. 1d.) |
| 678 China ... | ... 1s. 3d. (1s. 5d.) |
| 686 Cuba ... | ... 9d. (10d.) |
| 668 Czechoslovakia ... | 1s. od. (1s. 1d.) |
| 666 Ecuador ... | ... 9d. (10d.) |
| 676 Egypt ... | ... 3s. 6d. (3s. 9d.) |
| 664 French W. Africa | 1s. 3d. (1s. 5d.) |
| 675 Greece ... | ... 1s. 6d. (1s. 8d.) |
| | 682 Guatemala ... |
| | ... 6d. (7d.) |
| | 687 Iceland ... |
| | ... 9d. (10d.) |
| | 672 Malaya ... |
| | ... 1s. od. (1s. 1d.) |
| | 669 Morocco ... |
| | ... 1s. 6d. (1s. 8d.) |
| | 689 New Zealand ... |
| | ... 2s. 6d. (2s. 8d.) |
| | 662 Paraguay ... |
| | ... 1s. od. (1s. 1d.) |
| | 665 Persian Gulf ... |
| | ... 4d. (5d.) |
| | 670 Poland ... |
| | ... 1s. od. (1s. 1d.) |
| | 679 Roumania ... |
| | ... 1s. od. (1s. 1d.) |
| | 673 Siam ... |
| | ... 1s. od. (1s. 1d.) |
| | 674 Sweden ... |
| | ... 1s. 6d. (1s. 8d.) |
| | 661 Turkey ... |
| | ... 9d. (10d.) |
| | 663 U.S.A. ... |
| | ... 3s. od. (3s. 3d.) |
| | 684 West Africa ... |
| | 1s. 3d. (1s. 5d.) |

C.—1938 (Partial list)

| No. | No. |
|------------------------------|-------------------------------|
| 695 Australia ... | ... 2s. 6d. (2s. 9d.) |
| 693 Austria ... | ... 1s. od. (1s. 1d.) |
| 691 Brazil ... | ... 3s. od. (3s. 3d.) |
| 694 Denmark ... | ... 1s. 6d. (1s. 8d.) |
| Dominican Republic and Hayti | ... (<i>In preparation</i>) |
| Honduras ... | ... (<i>In preparation</i>) |
| 697 Hungary ... | ... 1s. od. (1s. 1d.) |
| 698 Iran ... | ... (see cover) |
| | Iraq ... |
| | ... (<i>In preparation</i>) |
| | 696 Latvia ... |
| | ... 1s. od. (1s. 1d.) |
| | Netherlands ... |
| | ... (<i>In preparation</i>) |
| | Netherlands |
| | East Indies ... |
| | ... (<i>In preparation</i>) |
| | 690 Peru ... |
| | ... 9d. (10d.) |
| | Portuguese East Africa ... |
| | ... (<i>In preparation</i>) |
| | 692 Tunisia ... |
| | ... 6d. (7d.) |

* Excluding those countries where later reports have been issued or are in preparation.

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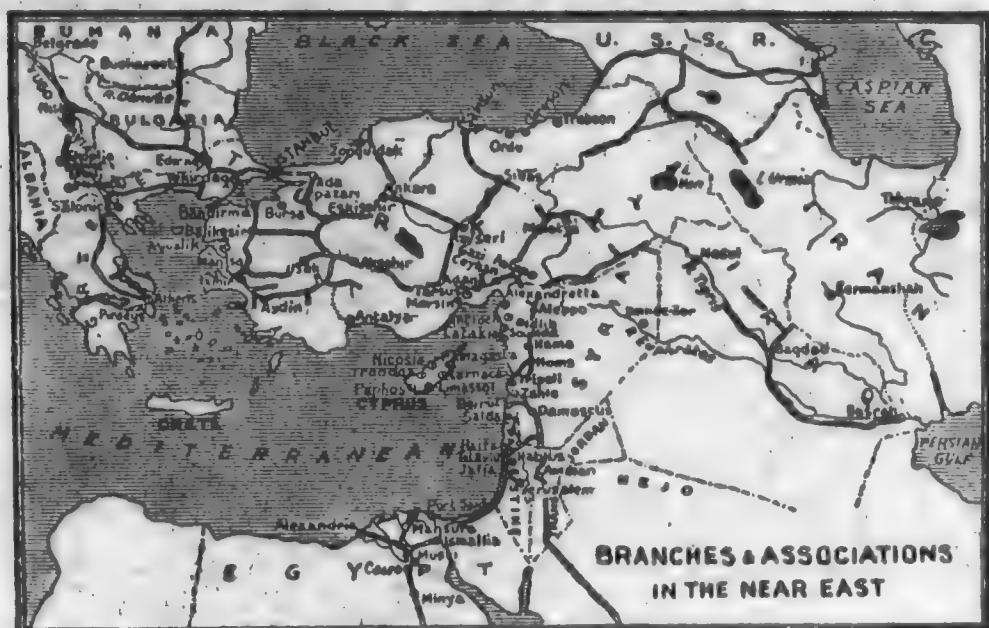
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July 8 1938.

No. 383

To the American Chargé d'Affaires ad interim,
Teheran.

The Secretary of State transmits for the information
and comments of the American Chargé d'Affaires ad interim
a copy of an article which appeared in the New York Times
of June 26, 1938, concerning recent German economic pene-
tration of Iran.

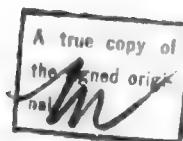
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GERMANS IN IRAN WORRY RUSSIANS

Soviet Believes That Economic Penetration Is Inspired by Threatening Motives

BASE FOR ATTACK FEARED

Airline Viewed as Menace to Oil Centers—Litvinoff Warns of Reich Onslaught

By HAROLD DENNY

Wireless to THE NEW YORK TIMES.

MOSCOW, June 25.—Considerable concern is being manifested here over alleged German economic penetration of Iran, which is believed to have definite political and military motives threatening to the Soviet Union.

Iran, on the Soviet Union's southernmost border, would make an ideal base for attack against Soviet Transcaucasia, in which is the Soviet's greatest center of petroleum production—essential in modern war.

According to Soviet sources, the Germans have crowned their intensive encroachment into Iranian trade with the establishment of an airline—Berlin-Athens-Rhodes-Damascus-Baghdad—Teheran-Kabul—which the Russians believe has political objectives, since it cannot pay operating expenses.

The Germans, it is alleged, are building a big airfield at Teheran for this line and, even more threatening, have been permitted to use the military airfield at the city of Meshed, only a few miles from the Turkmenistan border. Meshed is within easy bombing distance of Baku, the great Soviet oil center, and modern bombers even could fly from Meshed to Batum, where the Soviet's largest oil refinery is situated.

Shipyard Reported Building

It is also said here that a German shipbuilding plant has begun constructing a shipyard at Pekhlevi, a port on the Caspian Sea only a little more than 200 miles from Baku.

Thus if the Soviet allegations are correct, Germany is preparing to be able to attack the Soviet at its most vulnerable point should war come. The other great centers of Soviet industry and the production of materials necessary in modern war lie

well inland and are situated in regions remote from each other, from Ukraine through the Urals to the Far East.

This German airline, it is asserted here, was opened in April by Luft-hansa and four-motored Junkers planes are making weekly flights with passengers and mail. A certain number of seats, it is declared, is reserved in each plane for German Government officials. It is intended, according to Soviet sources, to fly forty-passenger planes eventually over this airway.

German economic penetration of Iran—conceived here as a Hitlerite version of Germany's pre-war dream of a "Drang nach Osten"—has been marked since 1935, according to Soviet sources.

Germany has obtained a clearing agreement with the Iranian Government similar to those she has concluded with many of the Balkan and Danubian countries, and besides selling Iran important manufactured goods is finding in that country sources of raw materials, such as nickel, lead and copper.

Germany has succeeded in crowding other capitalist countries, including Great Britain, out of the Iranian market and now, according to Soviet sources, occupies second place in Iranian foreign trade, second only to the Soviet Union.

It is alleged here that Germany has accompanied this penetration with the infiltration of a flock of German specialists, many of whom are spies, and that they have worked their way even into the Iranian Government Ministries and departments, where they are able to influence government policy. Other Nazi activities in Iran, according to Soviet sources, include inculcating fascist ideology by many means, including the exchange of visits between German representatives and Iranians and the procure-

ment of Iranian young people as student in German educational institutions.

Moscow's concern over the aggressive preparations of Fascist States, especially Germany, was shown again today in a lengthy speech on foreign affairs by Foreign Commissar Maxim Litvinoff to his constituents in his electoral district in Leningrad, from which he is a candidate to the Supreme Soviet of the Russian Socialist Federated Soviet Republic.

M. Litvinoff, speaking in much franker terms than diplomats usually employ, expressed his belief that Germany in the more or less near future would launch an attack intended to restore to her her pre-war frontiers, and already had made menacing demands as to her lost colonies.

Reviewing the whole disillusioning post-war history and affirming once again the Soviet's peace policy, Mr. Litvinoff restated the perilous position of the small powers threatened by Germany and again emphasized the Soviet's obligation to aid Czechoslovakia if the latter were attacked. The Soviet Union in its negotiations with capitalist powers was not seeking alliances to further its own interests, but was endeavoring only to safeguard world peace, he asserted.



LEGATION OF THE
UNITED STATES OF AMERICA

Teheran, August 12, 1938.

No. 1380.

Subject: Commentary on an Article from the
NEW YORK TIMES.

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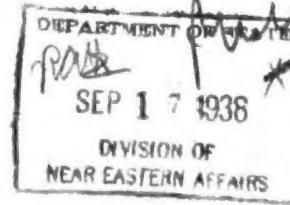
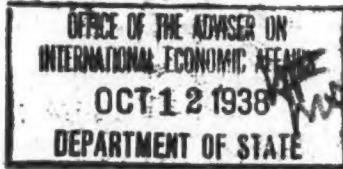


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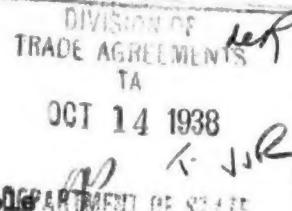
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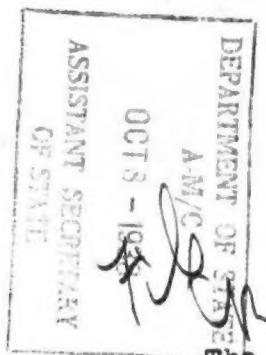
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Mr. C. W.
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CJ



The Honorable DEPARTMENT OF STATE
The Secretary of State,
Washington.

Sir:

In compliance with the request contained in the Department's instruction No. 383 of July 2, 1938, I have the honor to make the following brief commentary on the item entitled "Germans in Iran Worry Russians" which was published in THE NEW YORK TIMES on June 26, 1938:

The

N/C

The counselor of the local Soviet Embassy confirms the concern of the Union of Soviet Socialist Republics over German economic penetration into Iran. It is generally believed in Teheran that Iranian indebtedness to the Irano-German clearing fund was an important factor in securing permission for German airplanes to cross Iran en route to Afghanistan. Naturally, no official confirmation on this point can be obtained.

89-1967
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The German air line is not now engaged in building an airdrome in Teheran, and no plans for such construction have been announced. All civil aircraft land on the field at the Shahbaz (military) aircraft factory immediately east of Teheran.

No particular importance is attached to permission for German planes to use the military airdrome at Meshed. All flying fields in Iran are under the control of the military authorities. Even if "Meshed is within easy bombing distance of Baku", reference to a map will show that Teheran is closer to Baku than Meshed by some 400 miles. By air, Baghdad is closer to Baku than Meshed is.

Little information has been secured about the construction of a navy yard at Pahlavi. During the current year the Iranian budget contains an item of Rials 3,220,000 (about \$196,400) for the continuation of work on a navy yard at Pahlavi. No such item appeared in the budget for the preceding year, though a special appropriation provided Lstg. 79,829 for that purpose.

That Germany is finding in Iran "sources of raw materials, such as nickel, lead and copper" is not borne out by the Iranian customs statistics. Although the Iranian customs classifications do not permit an accurate determination

determination of the total imports of these metals in crude or manufactured form, a perusal of the latest figures (transmitted to the Department with despatch No. 1278 of April 19, 1938) reveals that Iran is not an exporter of any one of the three metals, but obtains its supplies largely from Germany.

German economic penetration in Iran has been accompanied by an influx of German specialists, and while a number of them are in the employ of Government in technical capacities, it is believed that their influence on Iranian Government policy is overestimated by the Soviet authorities.

The visit of Baldur von Schirach to Teheran (reported in the Legation's despatch No. 1188 of December 15, 1937) probably is referred to as an effort to inculcate fascist ideology.

The Iranian Government does not now encourage students to attend educational institutions abroad; and German attempts to secure any considerable number of Iranian students are likely to be unsuccessful.

Respectfully yours,

James S. Moose Jr.
James S. Moose, Jr.,
Charge d'Affaires a.i.

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